

FINANCIAL TIMES

EU and state aids

Why the French are lining up

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Germany

The humbling of Helmut Kohl

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Innovation

Patent count is key to product prowess

Technology, Page 7

Gold in South Africa

Rand hurt by high mining costs

Page 4

Boeing completes takeover of McDonnell

Boeing indicated that its activities will not be limited by promises it has made to keep its new civil aircraft operations separate. The hint came as the US aircraft maker completed its takeover of McDonnell Douglas, having won European Commission backing for the move only after eleven-hour concessions last month. The takeover creates the world's biggest aerospace and defence company. **Page 12**

HSBC Holdings, the world's biggest bank group, reported interim pre-tax up 13 per cent to \$2.62bn (\$4.27bn). HSBC, which owns the Hongkong Bank group in China and Midland Bank in the UK, surprised investors by raising its dividend from 15p to 20p. **Page 13**; **Lex**, **Page 12**; **Profits growth limited**, **Page 14**

Cyprus peace hopes rise: International efforts to end the 23-year division of Cyprus were boosted when Turkish Cypriot leader Rauf Denktash agreed to attend a new round of talks with Glafcos Clerides, his Greek Cypriot adversary, in Switzerland next week. **Page 2**

France Telecom fined \$4.8m: UK telecoms group BT may seek damages against France Telecom now France's competition authorities have fined its rival FFY30m (\$4.8m) for abusing its dominant position after a BT complaint. **Page 2**

Pearson sets 5-year target: The media, information and entertainment group which owns the Financial Times set itself a new five-year financial target as it unveiled a jump in pre-tax profits to \$51m (\$122m) from \$30m. **Page 13**; **Few prizes at this quiz**, **Page 17**

More CJD cases reported in UK: Two more deaths from the "new variant" of Creutzfeldt-Jakob disease, the human brain condition linked to the mad cow disorder, BSE, were confirmed in the UK last month. **Page 6**

US joins Bosnia freeze-off: More countries have frozen contact with Bosnia-Herzegovina's embassies to punish Bosnia's divided leadership for failing to agree on a list of its envoys. By last night, Britain, Italy, France, Germany, Spain, Sweden, Norway and the Netherlands had been joined by the US in breaking ties with existing envoys to Bosnia. **Page 2**

Palladium market in turmoil: Palladium, used in mobile phones, laptop computers, and catalytic converters, soared \$12.60 a troy ounce, or nearly 5.5 per cent, in London to \$239. The market's problems originate in hold-ups in Russia, the dominant supplier. **Page 13**; **Commodities**, **Page 22**

Japanese telecoms link: Analysts think KDD and DDI may eventually merge after the two big Japanese telecoms companies decided to provide joint billing and discounting of long distance and international calls. **Page 13**

N Korea crops lost: Drought in famine-stricken North Korea has devastated 70 per cent of the maize crop, according to UN agencies. "The crop is lost. It is absolutely disastrous", a UN statement said.

GM buy-backs: General Motors, fresh from buying back \$2.5bn of its stock, began a second \$2.5bn repurchase - but investors sold the stock at a year's high of \$64.50 on Friday.

World's oldest person dies aged 122



Frenchwoman Jeanne Calment, officially the world's oldest person at 122, died at her retirement home in the Provençal town of Arles. Pictured above in 1995, she was born on February 21 1875, 10 years after the assassination of US president Abraham Lincoln, and said she met painter Vincent Van Gogh when she was a girl.

FT.com: the FT web site provides online news, comment and analysis at <http://www.ft.com>

STOCK MARKET INDICES			
New York: Dow Jones Ind. Av.	8,167.10	(+26.54)	
NASDAQ Composite	2,822.14	(+7.81)	
Europe and Far East			
FTSE 100	4,292.41	(+57.03)	
DAX	2,292.94	(+11.09)	
FTSE 100	4,292.41	(+57.03)	
Nikkei	19,665.07	(+138.31)	

US LUNCHTIME RATES			
Federal Funds	5.5%		
3-mth Treas. Bids	5.25%		
Long Bond	10 1/8		
Yield	5.48%		

OTHER RATES			
UK 3-mth Interbank	7 1/8	(7.125)	
UK 10 yr Govt	10 1/8	(10.125)	
France 10 yr Govt	9 1/8	(9.125)	
Germany 10 yr Govt	10 1/8	(10.125)	
Japan 10 yr Govt	10 1/8	(10.125)	

NORTH SEA OIL (Argus)			
Brent Blend	\$18.31	(18.25)	

GOLD			
New York: COMEX	\$323.8	(324.7)	
London: Gold	\$323.85	(324.05)	

DOLLAR			
New York: London	\$1.8278		
DM	1.82825		
FF	6.29915		
SF	1.928		
Y	118.475		

STERLING			
London: £	1.5306	(1.5307)	
DM	1.8630	(1.8667)	
FF	6.2993	(6.2997)	
SF	1.9285	(1.9305)	
Y	118.215	(118.055)	
Tokyo close	Y 118.28		

Russian premier orders halt to nickel group sale

Legal confusion over auction of 38% stake

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russian prime minister, ordered a postponement of the government's sale of its 38 per cent shareholding in Norilsk Nickel last night, leaving the huge auction mired in legal confusion on the eve of its scheduled launch.

The confusion over the sale of the Norilsk stake highlights the controversy that surrounds Russia's latest privatisation drive as the government tries to disentangle itself from the clutches of a powerful clique of business interests.

Mr Chernomyrdin said the auction procedures had to be reviewed to ensure that they complied with the law, but he gave no hint of when the sale of the government's stake in the world's biggest nickel producer might proceed.

However, legal experts said last night the government could not change the terms of the tender as it had already received bids. On Friday, two bidders lodged firm offers for the shareholding.

Norilsk Nickel is potentially one of Russia's most valuable companies, controlling 35 per cent of the world's nickel reserves. The government's stake has an estimated open

market value of more than \$750m. It had been assumed that the powerful Oleximbank group, which has been managing the government's shareholding for the past two years, would win the auction today. Only one other, unidentified, company had expressed interest in bidding.

The government has been under pressure from opposition politicians and rival business groups to postpone the sale. The terms of the auction, being organised by an affiliate of Oleximbank, are alleged to have unfairly favoured the incumbent investor.

Oleximbank said yesterday that it had received no official instructions from the government and planned to go ahead with the sale today.

In an earlier controversial deal in November 1995, Oleximbank had lent the government \$170m in return for managing the state's 38 per cent shareholding. As a result, Oleximbank has gained inside knowledge of the company's finances and operations and fully expected to win full ownership of the stake.

Trans-World Group, the British metals company, had expressed a preliminary interest in competing for the shareholding but said the terms of

the auction were designed to deter outside bidders.

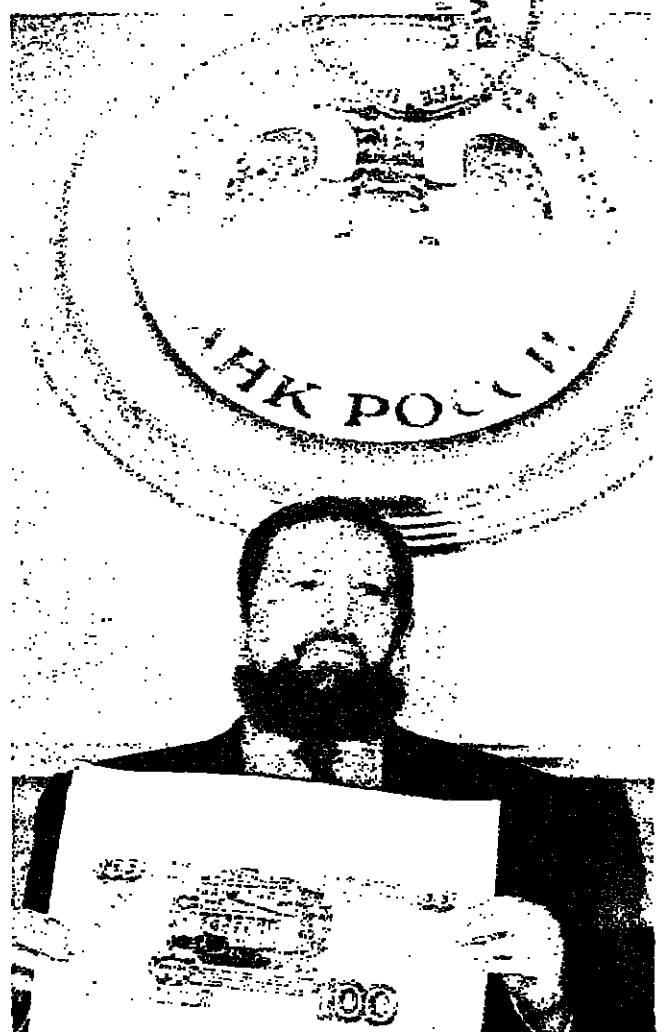
Since Mr Boris Nemtsov's appointment as first deputy prime minister in March, the government has been promising that a new era of open competition would apply to all privatisations.

But the policy provoked controversy last month when the government sold a 25 per cent stake in Svyazinvest, the telecommunications holding company, for \$1.9bn to an Oleximbank-led consortium.

The losing bidders, which control a range of media outlets, appeared to back a media assault against Mr Nemtsov and other members of the government connected with the privatisation process.

Ms Julia Dawson, head of Russian equity research at ING Barings bank in London, said that, if confirmed, the postponement of the Norilsk Nickel auction would be bad news for the company's share price in the short term but good news for the overall market in the long term.

"This would show that the government is listening to those who say it is selling these assets for less than they could and is showing a greater level of professionalism," she said.



Reform aims to revive rouble

Russia's central bank said yesterday it planned to redenominate the rouble from next January by knocking three noughts off banknotes of 1,000 roubles and above.

Central bank chairman Sergei Dubinin is pictured above showing the design of the new 100-rouble note.

President Boris Yeltsin promised Russians that, unlike other currency reforms since 1945, the change would not affect their personal savings. "I guarantee you this as president," he said.

The reform is intended to simplify currency transactions, counter inflation, and speed the de-dollarisation of the economy. On some estimates, the value of US dollar notes circulating in the economy is greater than the rouble money supply. **Report, Page 2; Editorial Comment, Observer, Page 11**

Strong pound and strike hit BA profits

By Michael Skapinker, Aerospace Correspondent

Shares fall as cost of dispute is put at £125m

British Airways said yesterday that last month's three-day strike by cabin crew would cost the airline £125m (\$203.7m) - much higher than analysts' most pessimistic forecasts.

BA's shares dropped 30p to 610p on the London Stock Exchange, a fall of 4.7 per cent, which made the company the worst performer yesterday among the leading companies in the FTSE 100 index. Investors were also taken aback by the damage the strong pound was doing to BA's profits.

The strength of sterling cut profits by £77m in the three months to the end of June, the first quarter of the group's fiscal year. Aviation analysts had predicted the strong pound would damage profits badly

over the full year. Passenger yields - the amount customers pay for each kilometre flown - fell 2.4 per cent in the first quarter because of sterling's strength.

Analysts, who had estimated the dispute to cost between \$80m and \$100m, downgraded full-year forecasts after BA announced that first-quarter operating profits fell 28.2 per cent to £140m. The strike reduced first-quarter profits by £15m, with the remainder of the £125m loss expected in the second quarter.

Mr Robert Ayling, BA's chief executive, said the difficult operating environment should demonstrate to staff why he needed to cut costs by £1bn by the turn of the century. He hoped cabin crew would now

understand the effect the strike had had on BA.

Mr Ayling shrugged aside questions about whether he had any regrets about the tough attitude he had taken to the strikers, which included warnings that they could lose their jobs and be sued for damages. He said: "I'm very pleased about one aspect, which is that we've been able to get across our message about the need for change."

Cabin crew belonging to one union called their strike after alleging that BA had imposed a new pay structure without negotiation. The union has, however, now accepted BA's goal of cutting cabin crew costs by £42m and the two sides are attempting to negotiate a settlement.

Mr Ayling said: "Our managers are being extremely sensitive to the fact that it's been a difficult time. Being understanding is the most important thing at the moment. I'm the first to understand that people find changes of the sort that we believe are necessary difficult."

BA's aircraft were full but

the airline would be forced to introduce price discounts once the summer season was over in an attempt to win back business lost during the strike.

Pre-tax profits in the first quarter rose 46.7 per cent to £200m, boosted by two exceptional items - the £130m profit from the sale of its US Airways stake and a £50m profit from

Continued on Page 12
Lex, Page 12

US faces severe disruption as United Parcel staff strike

By Richard Tomkins in New York

Businesses across the US faced severe disruption after workers at United Parcel Service, the country's largest package delivery company, began an indefinite strike yesterday.

UPS acknowledged that a strong majority of its 185,000 unionised workers had observed the strike call, leading to the cancelling of most of its domestic services, except the delivery of urgent medical supplies.

The company estimates that the goods it transports each day account for more than 5 per cent of US gross domestic product. It carries about 12m packages daily - about 80 per cent of the US package delivery business. Its competitors, mainly the US Postal Service and Federal Express, lack the capacity to take up the slack.

The US Postal Service was limiting customers to four parcels per visit, while Federal Express was turning away new accounts and rationing the number of parcels it would accept from existing customers.

UPS said it was due to hold talks with White House officials and would ask President Bill Clinton to intervene if the strike continued. Last February, Mr Clinton ended a strike at American Airlines, intervening under the Railway Labour Act. But to halt the UPS strike he would have to use the Taft-Hartley law to order a mediation board to settle the dispute.

Yesterday, Mr Clinton said UPS and the International Brotherhood of Teamsters, which represents the striking workers, should settle the dispute themselves.

"UPS is a very important

company to our country, and there are a lot of employees there, and I hope they'll go back to the table," Mr Clinton said. "At this time I don't think any further action by me is appropriate."

The strike began at midnight on Sunday after the Teamsters walked out of talks at the Federal Mediation and Conciliation Service.

The dispute is over the terms of a new labour contract. One point of contention is a company proposal to replace the existing pension plan, which is controlled by the Teamsters, with a new fund controlled jointly by the union and the company.

The other main issue is the company's use of part-time workers, who account for 60 per cent of the workforce and are paid lower hourly rates

Continued on Page 12

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Hopes rise after leaders of Greek and Turkish Cypriot communities agree to continue talks

Boost for Cyprus peace process

By John Barham in Ankara

International efforts to end the 20-year division of Cyprus received a further boost yesterday when Mr Rauf Denktaş, Turkish Cypriot leader, said he would attend a new round of talks with his Greek Cypriot adversary in Switzerland.

For weeks, Mr Denktaş had warned that he might stay away from the United Nations-sponsored negotiations, due to begin in Montreux next Monday, in anger at the European Union's decision to open membership negotiations with the Greek Cypriot government while excluding Turkey. However, inter-

national pressure on Mr Denktaş and his only backer, the Turkish government, has persuaded him to attend the talks even if diplomats are less confident that they will lead to a settlement.

Last week Mr Denktaş and Mr Glafcos Clerides, president of the internationally recognised Greek Cypriot government, met twice in Nicosia at the UN's instigation to discuss humanitarian issues.

Greek Cypriot officials hailed as a "most significant breakthrough" an agreement that could lead to the opening of unmarked graves of people killed in clashes between the two communities. There are

1,619 Greek Cypriots missing since the 1974 Turkish invasion and 803 Turkish Cypriots missing during violence in the 1960s.

Earlier in July the two men met at Troubet in rural New York state for a first round of talks organised by the UN. Next week's encounter is expected to build on the success of that meeting and advance towards a permanent settlement for Cyprus, partitioned since Turkey's invasion after a short-lived pro-Greek coup.

Both sides have agreed on the basis for a settlement. Cyprus would be united in name only, since settlement by Greek or Turk-

ish Cypriots outside their enclaves would be limited. Each community would be responsible for its own affairs and would elect a federal government with limited authority.

However, previous peace talks foundered on the powers of the central government and the right of Greek Cypriots to return to or recover property in the northern Turkish zone. Turkish Cypriots resist Greek Cypriot demands for withdrawal of the 30,000 mainland troops on the island. European diplomats, while heartened by the progress so far, warn against expectations of a breakthrough in Montreux. One diplomat said: "The

atmosphere has changed, but not the fundamentals."

The west, particularly the EU, has leverage over Mr Clerides, who wants to bring Cyprus into the Union, but less over Mr Denktaş. Western capitals led by Washington have piled pressure on Ankara to persuade him to keep talking. A Turkish foreign ministry official said: "We realise that if Denktaş did not go, the other side would exploit the situation."

Relations between the EU and Turkey have deteriorated sharply in the last two years, limiting the ability of European governments to influence Ankara.

France Telecom fined \$4.8m

By Andrew Jack in Paris

BT, formerly British Telecom, is considering seeking damages against France Telecom after a judgment against its rival by the French competition authorities.

The competition council fined France Telecom FF300m (\$4.8m) for abusing its dominant position, in the wake of a complaint from BT related to a contract negotiated with the French insurance group Axa in 1993.

The fine, which is subject to appeal by France Telecom, opens the way for BT to seek additional damages and interest.

A spokesman for the UK-based company said yesterday that it would probably seek damages. "We are very happy with the judgment."

The council took its decision against France Telecom at a politically sensitive time for the national operator, when it is being forced to adapt to more open European competition from the start of 1998 and while its partial privatisation has yet to be formally decided.

The company had disclosed details of the ruling in recent filings that it was forced to make with the US regulatory bodies ahead of its planned partial privatisation.

The documents said that the competition authorities could impose a fine of up to 5 per cent of the group's annual turnover, although such a large sum was only theoretical.

In an opinion issued at the start of July - but made public only yesterday - the competition council ultimately fined France Telecom FF200m for abusing its legal monopoly, and imposed an additional levy of FF100m on its Transpac subsidiary for abuse of its dominant position.

It ruled that the French telecoms giant had tried to limit access by BT's subsidiary, BT France, to the country's market when Axa opened discussions for a renewal of its communication links with its 3,600 general insurance agents.

The existing contractor, Transpac, won the renewal of its contract in a competition against BT France after France Telecom agreed to reduce the prices of its existing contract.

France Telecom said yesterday it had not decided whether to appeal against the decision.

However, it stressed that the telecoms market had changed fundamentally since the time of the contract and that such a situation would be handled differently in the future.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone: +49 69 156 820. Fax: +49 69 296 481. Registered in Frankfurt by J. Walter Brandt, Wilhelmstr. 1, 60318 Frankfurt. Editor: Richard Lambert. Editor in London: David C.M. Bell. Chairman, and Alan C. Miller, Deputy Chairman. The shareholders of the Financial Times (Europe) GmbH are Pearson Overseas Holdings Limited, 3 Burlington Gardens, London. W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.

GERMANY:
Responsible for Advertising content: Colin A. Kamand. Printer: Rittner International Verlagsgesellschaft mbH, Adminal-Rosen-damm-Straße 3a, 63621 Neu Isenburg. ISSN 0174 7343. Responsible Editor: Richard Lambert. d/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9PL.

FRANCE:
Publishing Director: P. Maravall. 42 Rue La Boétie, 75008 PARIS. Telephone: (01) 576 1254. Fax: (01) 576 8253. Printer: S.A. Nord Editeur, 1521 Rue de Caen, F-93100 Rosny-sous-Bois. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 97882.

SWEDEN:
Responsible Publisher: Hugh Carnegie 468 01 6088. Printer: AB Kvalitetstryckeriet, Esplanad, PO Box 6007, S-250 06 Jönköping.

© The Financial Times Limited 1997. Editor: Richard Lambert. d/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9PL.

France is next on list for the competition crusader

Fresh from his victory over the US aircraft giant Boeing, Mr Karel Van Miert, the European Union's competition commissioner, is gearing up for an autumn offensive - this time closer to home.

Top of his agenda when he returns from the summer break will be a string of controversial state aid demands from France, with Crédit Lyonnais, the state-owned bank, leading the way. But the man who stood up to the US and won may find that France is a tougher opponent.

On paper, the issues are clear. The EU's founding treaty prohibits state aid in principle because it distorts competition in the free market. The Commission can make exceptions - for example, when the aid is required to rescue a company and return it to viability - but when this happens, tough conditions are attached.

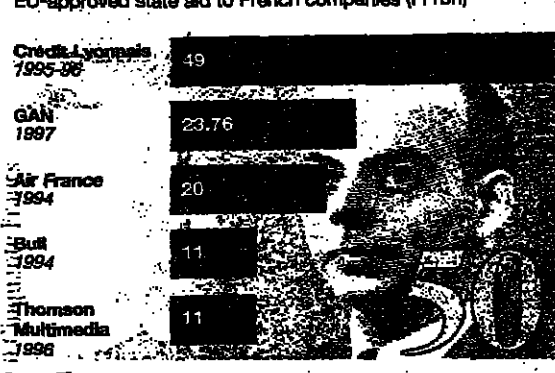
In the highly politicised world of state aid policy, France has made a habit of putting these rules to the test.

The country which two years ago broke all records with a FF45bn (\$7.26bn) bail-out of Crédit Lyonnais fiercely defends a tradition of rescuing companies that in a genuinely free market would soon disappear.

Furthermore, France, a founder-member of the EU and one of its most influential members, expects to get its own way with the Commission. Whatever the arguments about competition, it is certain to exert heavy pressure.

Helping hand or unhelpful handout

EU-approved state aid to French companies (FFbn)



It is therefore unlikely that any of the pending aid requests will be turned down. The test for Mr Van Miert will be the severity of the conditions he attaches in return for approving them. In particular, competitors will expect him to impose privatisation as the ultimate condition - a demand that would be unpopular with France's new Socialist-led government.

Last week there were signs that Mr Van Miert will offer France a more sympathetic ear than he did the US over the Boeing merger.

The Commission approved a staggering FF23.76bn aid package for GAN, France's state-owned insurance group, subject to a number of strict conditions attached. These included a commitment to sell GAN and its banking subsidiary CIC by next June. Meanwhile, a document was en route from Paris to Brussels outlining a revised

restructuring plan for Crédit Lyonnais. Under an earlier rescue plan approved by the Commission, the bank - a victim of its own irresponsible expansion in the 1980s - was due to be sold by the year 2000.

But the conditions imposed by Brussels proved too tough, causing the payment of a further FF3.9bn in emergency aid, on top of the FF3.5bn already granted, and the abandonment of the original restructuring plan.

The revised plan does not envisage a quick privatisation of the troubled bank, an omission which could trigger a fight with Mr Van Miert. "Privatisation is not the focus of the plan," confirmed a French government spokeswoman.

Other cases over which the Commission will be keeping a close watch include Société de Marseillaise de Crédit, under investigation by Brussels for a

FF30bn state aid handout granted last year

There have also been rumours that Caisse Nationale de Prévoyance, France's largest life assurance group, is looking for a recapitalisation ahead of privatisation.

Brussels is also keeping a suspicious eye on Crédit Foncier de France, the troubled mortgage-lender taken over by the French state. It had opened an investigation into a state aid payment dished out last year, of which it was not even notified. The aid was later cancelled after the state-appointed "governor" of the bank said CFF could survive until the end of 1998 without refinancing.

But the case highlighted another problem the Commission has with France - its reluctance to obey treaty rules and notify Brussels of all large restructuring aids.

Of 13 state aid investigations into French cases opened by the Commission last year, only five were formally notified to Brussels. The other eight were tracked down by diligent Commission officials.

Amidst this plethora of cases from France there will be some significant Spanish and German diversions for Mr Van Miert.

But if the industrious Belgian wants to maintain his reputation as a crusader for fair competition, he will have to steel himself to challenge France in the same way that he recently took on the US.

Emma Tucker

Russia seeks to revive the rouble

By John Thornhill in Moscow

Kopeck coins, which lost so much of their value in the early 1990s that metal traders started selling them for scrap, will come back into circulation in Russia next year after the central bank announced plans yesterday to redenominate the rouble.

From the beginning of 1998, three noughts will be knocked off the Russian currency, turning a Rub50,000 banknote - worth \$5.60 - into one of Rub50. The return of the kopeck should also make it easier in future to make telephone calls and take metro rides.

The reform is intended to simplify currency transactions, counter inflationary expectations, and speed the de-dollarisation of the economy. On some estimates, the value of US dollar notes circulating in the Russian economy is greater than the rouble money supply.

President Boris Yeltsin promised the currency reform would be achieved without the "stresses and upheavals" that have accompanied previous redenominations of the rouble.

"During the last 50 years everything connected with monetary reform has invariably hit the common people," Mr Yeltsin said in a statement. "This time this is ruled out. I guarantee you this as president."

The Russian authorities were at pains yesterday to explain that no one would lose any money as a result of the redenomination. They are setting up a telephone hotline to explain the facts to the public.

Mr Sergei Dubinin, Russia's central bank governor, said the new notes, which are identical in design to the existing notes apart from their stated value, would be gradually introduced over the course of next year as the old notes were withdrawn.

"We hope that the new heavy and firm rouble will further gain in strength. We are confident we will be able to maintain a stable currency exchange rate against convertible currencies," said Mr Dubinin.

The Russian public have a deep and well justified suspicion of currency reform, which have often been a disguised means for the government to steal their savings.

In 1947, Stalin introduced a currency conversion decree that 10 old rubles should be exchanged for one new one. In effect, the government confiscated people's savings in order to eliminate the repressed inflation created during the war years.

A similar currency reform in 1961 proved extremely unpopular and was one of the factors leading to the subsequent downfall of Nikita Khrushchev as Soviet leader.

UK managers 'complacent'

Organisers of a recent seminar were surprised at level of ignorance about Emu

By Wolfgang Münchau, Economics Correspondent

At a recent Emu workshop in the UK, a group of finance directors and treasurers displayed so much ignorance about the European Union and change-over of computer systems and internal business systems. While all of this is considered necessary, the main impact of Emu could be strategic. If Emu turns out to be deflationary, as some forecasters predict, prices will come down to the lowest levels. Faced with price transparency, companies will no longer be able to charge differential prices across the EU, as is common in many industries. In an extreme situation this could lead to a squeeze on margins, and possibly to company failures. Unprepared small and mid-sized companies are at greatest risk.

"There will be major casualties," said Mr Colin Stringer, co-ordinator of Emu activities at Cap Gemini, the business consultancy. "We don't predict who they will be but there will be casualties in every sector. It will start with loss of market share in a short period of time, and may lead to mergers and acquisitions."

According to Mr Stringer, "There are a lot of people out there who are well mobilised, but the scary thing is that there are senior people, also within the banks, who have not got a clue what is going on."

Most seemed confused about the dual-currency arrangements in the period between 1999 and 2002, during which companies and individuals have a choice of using either euros or national currencies under the "no compulsion - no restriction" rule.

In an internal survey, Barclays Bank found that 75 per cent of UK companies made no preparations for Emu, while 21 per cent made only minimal preparations.

An international business consultancy, which is working primarily in the financial sector, also found strong dif-

ferences in the level of preparedness. Its senior Emu adviser claims best-prepared financial institutions included Americans - he mentioned Goldman Sachs, Salomon Brothers, Merrill Lynch and JP Morgan - and some of the larger continental - including Deutsche Bank and ABN-Amro. Lagards included several second-tier continental institutions and even some large financial groups in the UK.

Organisers of a recent Emu seminar were surprised when their guest speaker - a finance director of a well-known manufacturing company - announced to an audience of fellow directors that "too much fuss" was being made about the whole project. He added that his company decided to keep preparations to a minimum.

Emu advisers say this attitude could be dangerously complacent because companies may underestimate the strategic effect of Emu. But if Emu was to affect the strategic line-up in European industry, companies would be affected, even if their home country does not join Emu.

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ferences in the level of preparedness. Its senior Emu adviser claims best-prepared financial institutions included Americans - he mentioned Goldman Sachs, Salomon Brothers, Merrill Lynch and JP Morgan - and some of the larger continental - including Deutsche Bank and ABN-Amro. Lagards included several second-tier continental institutions and even some large financial groups in the UK.

Organisers of a recent Emu seminar were surprised when their guest speaker - a finance director of a well-known manufacturing company - announced to an audience of fellow directors that "too much fuss" was being made about the whole project. He added that his company decided to keep preparations to a minimum.

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EUROPEAN NEWS DIGEST

Turkish forces expel Islamists

Turkey's armed forces have expelled 73 men suspected of links to Islamist organisations, following an annual three-day council to decide promotions and military policy. The rigidly secularist generals had reportedly drawn up a list of over 300 men suspected of holding Islamist sympathies, but agreed to government suggestions that a quarter of them be purged now. The remainder will be monitored and their cases will be reviewed in December.

The army, fearing Islamist attempts to infiltrate supporters into its ranks, often expels soldiers who are suspected of deviation from the secularist principles of Kemal Atatürk, the military leader who founded the secular state in 1923.

John Barham, Ankara

FRENCH GROWTH

Forecast revised downwards

The French state bank Caisse des Dépôts et Consignations said yesterday it had revised downwards its growth forecast for the second quarter because of a slowdown in industrial production and consumption. However, the bank was more optimistic for the third quarter.

It forecast growth of 0.5 per cent in the second quarter, compared with an earlier forecast of 0.7 per cent. GDP growth was 0.5 per cent in the first quarter, and the national statistics office Insee is forecasting expansion of 1.2 per cent in the second quarter. CDC said elections in June had contributed to the slowdown. It forecast stronger growth in the third quarter, helped by foreign trade and favourable exchange rates.

Reuter, Paris

BASQUE SEPARATISTS

Spain probes criminal links

Spanish authorities are investigating possible links between the Basque separatist group Eta and drug-trafficking, prostitution and money-laundering, an interior ministry official said yesterday. The police and Civil Guard may have new clues on how Eta finances its operations after the arrest last month of four rebels who held a Spanish prison worker, Mr Jose Antonio Ortega Lara, hostage for a year and a half. "One of those detained when Ortega Lara was freed had a number of businesses linked to money-laundering," the interior ministry official said, speaking on condition of anonymity.

Mr Jaime Mayor Oreja, interior minister, in a weekend interview with Spanish news agency Europa Press, called Eta a "mafia which functions like other organised crime networks".

Reuter, Madrid

GERMAN FLOODS

Unexploded bombs halt work

Soldiers building a back-up dyke along the swollen River Oder in eastern Germany had to stop work temporarily yesterday when unexploded second world war bombs were discovered in a gravel pit. Workers digging up gravel found seven small German-made bombs, a mine and several grenades in the pit near Reitwein, a village in the Oderbruch flood plain north of Frankfurt an der Oder.

Elsewhere along the 160 km dyke, soldiers and volunteers have patched up small ruptures and officials said that the river was continuing to recede slowly after three weeks of flooding. "The worst has been prevented," said an army spokesman, Mr Andreas Poppel. "We're holding the dyke." Flooding and harsh weather have also killed 16 people in Romania's far northwest and severe storms have caused flooding and landslides in the south of the country.

AP, Frankfurt am der Oder

FORMER EAST GERMAN LEADER

Krenz seeks acquittal

Defence lawyers asked a court yesterday to acquit Mr Egon Krenz, the last Communist leader of former East Germany, of manslaughter charges in the shooting deaths of people trying to flee to the west. In his closing arguments for the defence, Mr Robert Unger said Mr Krenz, as a former Politburo member, might bear some "political-moral responsibility" for the deaths, but that the rule of law should prohibit united Germany from prosecuting him now.

East Germany was not a sovereign state when it came to military and defence matters, but was forced to defer to the then Soviet Union, he said. Mr Krenz read a statement saying that "my socialist philosophy and the accusation of killing people do not fit together". He added: "I have never used a word to justify killing."

Mr Krenz, 60, is on trial for manslaughter along with the former East Berlin city Communist party chief Mr Günther Schabowski, 67, and economics expert Mr Günter Kleiber, 65.

AP, Berlin

BULGARIA

Balkanbank declared insolvent

The Sofia City Court has declared state-owned Balkanbank insolvent on the basis of a claim filed by the Bulgarian National Bank (BNB), a BNB official said yesterday.

Balkanbank is the ninth local commercial bank declared insolvent by courts so far out of a total of 17 state and private banks, or a third of Bulgaria's banks, against which the BNB has opened bankruptcy proceedings since May 1996. The BNB put Balkanbank into receivership last September on the basis of a capital to risk assets ratio of minus 37.85 per cent and outstanding payments of 5.47bn leva (\$2.95bn). It is the third state Bulgarian bank ruled insolvent after Mineralbank and Economic Bank.

Reuter, Sofia

ECONOMIC WATCH

German output up 1.4%

German industrial output rose a seasonally adjusted 1.4 per cent in June from May, the economics ministry said yesterday in a preliminary report. On a year-on-year basis not adjusted for seasonal influences, output in June surged by 7 per cent. The month-on-month rise is slightly below analysts' expectations. In a survey by Dow Jones, analysts forecast an average seasonally adjusted rise of 1.5 per cent in June from the previous month.

Construction rose 6 per cent in June, and mining output was up around 2.5 per cent, the ministry noted. In the manufacturing sector, production expanded by 1 per cent, the ministry said.

Preliminary May month-on-month data were revised to show a drop of 1.5 per cent from April, compared with the 0.2 per cent fall originally reported. May output declined 4.9 per cent compared with May 1996, instead of the 5.5 per cent fall reported last month.

The ministry said June data were still considered preliminary and might be revised.

AP, Bonn

مركز العمل

White House favours 'somewhat sparing' use of controversial line-item veto on historic legislation

Clinton may tinker with tax cuts bill

By Bruce Clark in Washington

The White House is debating whether to tinker with the historic tax-cutting bill, which President Bill Clinton will sign into law today, by using a new and hotly contested constitutional device.

The device, widely used by state governors and known as the line-item veto, entitles the president to strike down specific aspects of a spend-

ing or taxation bill without blocking an entire law. Supporters of the veto say it enables the executive to combat the worst practices of "pork-barrel politics" in which measures favourable to small interest groups are slipped into important bills.

"I support the line-item veto... and if we have it, I think it ought to be used," Mr Clinton said yesterday. But his experience as governor of Arkansas had taught

him to be "somewhat sparing" in his recourse to the controversial device.

In June, the Supreme Court used a technicality to uphold the veto. A challenge to the law by six legislators from both political parties was thrown out by the Supreme Court on grounds that they had suffered no injury. But the ruling left the way open for a fresh constitutional challenge as soon as the veto is invoked and

some interest group suffers damage.

Under the law, the president can delete a specific item of spending, an increase in entitlements or a narrowly targeted tax break within five days of signing the bill that contains them. A congressional joint committee on taxation has identified 79 provisions in the tax-cutting bill that could be subject to a veto, including privileges for New England

cider producers and export credits for software manufacturers.

But the White House search for an appropriate first use of the veto will be guided by the chances of winning a constitutional argument rather than the merits of the case.

"The president will choose his ground carefully, and he is more likely to exercise some spending item, where he would have the strongest

possible case, than a tax break," said Mr Bruce Bartlett, a fellow of the National Center for Policy Analysis.

Mr Richard Gephardt, the House minority leader, said the president should use his line-item authority to quash a concession to the tobacco industry entitling companies to use revenues raised by a new cigarette tax as a credit against the \$68bn bill they face under the tobacco settlement.

Strike accord signals pension shift

By John Authers in New York

The longest and most acrimonious steel strike in recent US history finally ended this weekend with an agreement that could jeopardise the shift in the nation's corporate pension plans towards funds managed directly by Wall Street.

Members of the United Steelworkers of America had been on strike for 10 months against Wheeling-Pittsburgh Steel in an attempt to maintain a "defined benefit" pension with guarantees of a fixed level of pension linked to a worker's length of service.

The dispute became highly acrimonious. It was the first significant resistance to the growing "popularity" of "defined contribution" plans where the final pension payable would depend on the performance of the market. Unions saw the strike as a test of the principle that employers should provide a guaranteed pension.

Corporate managers last week agreed a compromise. Employees were offered a fixed benefit plan in return for job cuts which will reduce the workforce by about 19 per cent. According to Mr John Schiessele, chief executive: "Our negotiators were able to find ways to provide benefits for our employees that are affordable for the company." This is thought to involve offering final salary guarantees which are no more expensive for the company than the proposed defined contribution would have been.

The United Steelworkers of America said: "There's a principle being set here." It made clear that it expected a company to offer a pension which was "secure, so you know what you are going to get". The union was also concerned that defined contribution plans were not subject to federal guarantees, which have in the past ensured that workers on defined benefit pensions from bankrupt companies continued to receive at least some payment.

The move is important because the last decade has seen a huge shift towards defined contribution pensions, aided by tax concessions offered 15 years ago through so-called 401(k) plans. Companies can contract out administration, record-keeping and investor education to fund managers by moving to a 401(k) plan.

The 401(k)s have been popular with employees so far, in part because equity markets have grown strongly for most of the time since they were introduced.

Any organised resistance to the shift could be damaging for fund managers. From 1992 to 1995 alone, the amount of 401(k) money placed in mutual funds increased from \$54.3bn to \$280.8bn, and the plans account for most of the fund management industry's growth of the last few years.

Mexican party leans towards left

Humiliated at polls, PAN faces calls to change, writes Daniel Dombey

The setting was as traditional as could be. But amid the colonial splendour of a centuries-old hacienda, replete with shrines and devotional paintings, Mexico's main opposition party last weekend vowed to bring itself up to date.

The traditionally Catholic and conservative National Action party (PAN) was licking its wounds after its disappointing performance in July's mould-breaking elections.

The elections catapulted hundreds of opposition politicians into parliament and won widespread praise for fairness. But the PAN, which for years supposed it would win the country's first fully democratic elections, saw its overall percentage of the vote barely increase and suffered a humiliating third place in Mexico City.

Last weekend, the party lurched to the left, embracing policies calling for a more active state role in economic and social life. The shift of stance could have momentous consequences, not only in Congress, where the combined forces of the opposition enjoy a majority for the first time, but in the race to replace the ruling Institutional Revolutionary party (PRI) in the presidential palace in 2000.

With a quarter of the vote, the PAN remains the strongest alternative to the PRI and is likely to wield the balance of power in Congress. The PRI is still the largest force in the important lower house, with 239 of 500 deputies, according to provisional results. The leftist Party of the Democratic Revolution (PRD) has 125 deputies, thanks to its success in directly elected seats, while the PAN has 122, despite winning a slightly higher share of vote than the PRD.

To date the PAN's traditionally minded hierarchy has shut out the more electorally successful politicians who are the chief proponents



Vicente Fox: at the centre of the fight to modernise the party, and the only declared presidential contender

of change. It remains to be seen whether the PAN's transformation will move fast enough or run deep enough to win the presidency.

At the centre of the fight is Mr Vicente Fox, the plain-spoken governor of the central state of Guanajuato, currently the only declared contender of any party for the presidency.

Although in the past the party has emphasised its support for a smaller state, voting frequently for widespread privatisation and trade liberalisation, and has become notorious for pronouncements by local politicians against miniskirts and condoms, Mr Fox argues the PAN should leave traditional dogma behind.

For the likes of the governor, much of the party's platform seems not only antiquated but also electorally damaging. "We have to reinvent the party," he says. "We should forget all this stuff about abortions and condoms. The PAN is not and should not be a right-

wing party, a Catholic party or a neo-liberal party."

Far from continuing the PAN's traditional line on low taxation, Mr Fox suggests larger government may be necessary to provide the country with the educational and physical infrastructure more industrialised nations already have.

But Mr Fox and his direct manner remain a very controversial topic for many of the party's sympathisers, who would prefer the PAN to stay true to its origins.

"The PAN is basically a party of provincial elites and that makes it a minority party," says Dr Soledad Loaeza, a political scientist at the Colegio de México, who argues that the party should exercise caution before it trades in its pro-market stance for a more Christian Democratic approach. "And Fox is barely a member of the party. He is more like an American." Other party supporters scarcely contain their disgust at Mr Fox's populist approach.

Mr Fox's defenders say he is more in touch with the changing nature of Mexico's electorate, which is more urban than in the past.

Despite such divisions, the PAN leadership agrees that the party's policies should become more moderate. "We are a party of the centre," says Mr Felipe Calderon, who became PAN leader last year. "It is hard to show that the party is committed to pluralism, modernity and liberty if our politicians sporadically display traits of intolerance or conservatism."

The PAN's longer-term problem may be that it is a victim of its own success. After six decades calling for democracy, the party has to make the transition from party of the opposition to one with a concrete programme of government.

Despite its record at the local level - the party won two state governorships in the July 6 elections to bring its current total to six - the PAN's experience of national power has been unhappy to date. The party's representative in an experiment at pluralism in President Ernesto Zedillo's government, Mr Antonio Lozano, a former attorney general, was sacked amid mutual recriminations.

A crucial test will be whether the PAN's congressmen will ally more with the ruling PRI or with the left-wing Party of the Democratic Revolution, which overtook it as the second force in the lower, more powerful House of Congress. The strains within the party will make it difficult to come up with a coherent approach.

"It was hard enough for John Kennedy to put a man on the moon in 10 years," says Mr Fox. "For the opposition to win the presidency of Mexico in the three years remaining is harder still."

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AMERICAN NEWS DIGEST

Fall in spending on US building

Spending on new construction fell unexpectedly in June, the US Commerce Department said yesterday, but from a much stronger level of May building activity than previously estimated.

June construction spending dropped 1.1 per cent to a seasonally adjusted annual rate of \$591.5bn - the biggest monthly fall in six months. The decline followed a sharply revised 0.3 per cent gain in May spending to an annual rate of \$597.9bn instead of an initial estimate of a 1.8 per cent fall.

The June decrease was concentrated in the private sector, including weaker new home building. By contrast, public or taxpayer-financed spending on projects such as new highways and street repairs increased from May. Wall Street economists' expectations were for a 1.1 per cent rise in monthly spending. *Reuters, Washington*

WORLD TRADE CENTER TRIAL

Jurors quizzed on bomb plot

A US judge yesterday asked jurors in the World Trade Center bombing trial whether they would be prejudiced by last week's raid on an apartment where police said they had found evidence of a Palestinian suicide-bomb plot.

Opening arguments in the trial of Mr Ramzi Yousef, the alleged mastermind of the 1993 Trade Center bombing, and Mr Eyad Ismail, co-defendant, were postponed until today because a juror called in sick.

Mr Kevin Duffy, US district judge, questioned jurors individually on what they knew about the plot and also about last week's suicide bombing in Jerusalem, and whether those events would influence them.

There is no known link between Mr Yousef and the suspects arrested in New York last week. This is the second trial involving the World Trade Center bombing.

Prosecutors will try to prove that Mr Yousef and his co-defendant drove a bomb-laden van into the centre's underground garage. Both men are charged with conspiracy. The trial is expected to last up to four months. *AP, New York*

CUBAN BOMBINGS

Police investigate hotel blast

Cuban police are investigating the latest in a series of small bomb blasts or attempted bombings at tourist hotels.

The incident occurred in the lobby of the five-star Melia Cohiba Hotel in Havana, which is operated by Grupo Sol Melia, the Spanish hotel chain. No injuries or serious damage were reported. The lobby section where the explosion occurred was immediately screened off.

Last month small bombs exploded at two Havana hotels, injuring three people. Cuba said the incidents were aimed at damaging the island's tourist industry. It claimed the explosives and the persons responsible came from the US. The US government has denied any involvement. *Pascal Fletcher, Havana*

MONTSERRAT

Volcano debris hits town

A shower of debris pelted Montserrat's safe zone yesterday after a volcanic eruption had also ignited abandoned homes and buildings in the island's deserted capital.

No damage was reported when the pebble-size debris fell on the roofs of some homes in Salem, a town five miles north of the abandoned capital of Plymouth, in an area considered safe from the Soufriere Hills volcano.

It was the first time the fiery debris - known as pyroclastic flows - had reached Plymouth, which was evacuated along with the rest of the southern half of the Caribbean island when the volcano first sprang to life in July 1995. Since then, intermittent eruptions have prompted nearly half of Montserrat's 11,000 residents to flee the British colony. The British government has said it is considering polling Montserratians to find out if they want to be permanently moved off the unstable island. *AP, Salem, Montserrat*

Opposition alliance to challenge Peronists

By Ken Warn in Buenos Aires

Argentina's ruling Peronist party yesterday dismissed the formation of an alliance between the two main opposition parties as "electoral trickery".

The pact between the centrist Radical party and the centre-left Frepaso, announced at the weekend, had been prompted by the desire to avoid certain electoral defeat, said Mr Carlos Corach, interior minister.

The two opposition parties will run joint lists of candidates in the key battlegrounds of the federal capital and Buenos Aires province in the October 26 mid-term elections, in which half the seats in the lower house of Congress are at stake. The pact may be extended to other provinces for October and the alliance will attempt to offer a single candidate in the

1999 presidential elections. "This is an important political change," said a political analyst, Mr Rosendo Fraga. "With a united opposition the Peronists run the risk of losing their congressional majority in October. It raises the question of how President Carlos Menem would govern during the remainder of his presidency."

Both the Radicals and Frepaso have strongly attacked the government on issues such as corruption and persistent high unemployment. However, neither party has articulated a detailed alternative economic strategy.

Earlier talks aimed at unity foundered. However, agreement became possible when veteran Radical and former President Raul Alfonsin offered to withdraw as his party's leading candidate for deputy in Buenos Aires province. The joint opposition effort in the province

will now be spearheaded by a Frepaso senator, Mrs Graciela Fernandez Mejide.

The alliance could pose particular problems for Mr Eduardo Duhalde, governor of Buenos Aires province and the front-runner to win the Peronist presidential nomination in 1999. His wife and loyal lieutenant, Mrs Hilda "Chiche" Duhalde, heads the Peronist party list in the province for October. She was being pressed in the opinion polls by Mrs Fernandez Mejide even before the opposition pact.

The electoral pact should not pose worries for investors, said Mr Freddy Thomson, chief economist at ING Barings. "Look at the opposition gains in the recent Mexican elections - the markets loved it. The alliance shows the political system is consolidating. And the opposition has two years before the presidential contest to learn some basic economics."

Clinton global warming plea

By Bruce Clark in Washington

US President Bill Clinton yesterday urged leading industrialists to look for profit as well as costs in responding to ecological challenges - such as climate change, whose existence was well established.

He also assured them the US would not limit its own fossil-fuel burning levels unless developing countries accepted similar curbs. "I don't think that very many people disagree with the fact there is climate change now," he told chief executives from oil, steel and power companies who went to the White House for the latest of a series of meetings to formulate US policy.

US industry lobbies are loudly challenging the scientific basis of the assertion that carbon emissions, mostly caused by fossil fuel-burning, are causing the planet to heat up at an alarming rate.

They are urging the president to think twice before accepting curbs on economic activity at a conference in Kyoto, Japan.

Mr Clinton said yesterday he favoured "realistic but binding limits" on emissions, combined with flexible, market-based approaches to implementing them - an apparent reference to tradeable emission permits.

The president reiterated a point often made by environmental cam-

paigners - that the US is responsible for 20 per cent of greenhouse gas emissions although it has only 4 per cent of the world's population.

He said US industry should "find as many technological solutions to this as possible" and keep the country in the forefront of a \$400bn environmental technology market.

The president also told the industrialists that any agreement had to be global, so as to avoid hurting US interests while leaving developing nations free to pollute.

"The agreement has to be a global one... I think all nations, developed and developing, have to be a part of this."

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GDP are in billions of European currency units (ECU). The first breakdown is in current prices and the second shows growth rates in the constant price series.

UNITED STATES						JAPAN						GERMANY					
Current Prices	Gross Domestic Product	Private Cons.	Total Invest. as a % of GDP	Govt. Cons. as a % of GDP	Net Exports as a % of GDP	Current Prices	Gross Domestic Product	Private Cons.	Total Invest. as a % of GDP	Govt. Cons. as a % of GDP	Net Exports as a % of GDP	Current Prices	Gross Domestic Product	Private Cons.	Total Invest. as a % of GDP	Govt. Cons. as a % of GDP	Net Exports as a % of GDP
1987	4,065.8	65.9	15.9	21.2	-3.0	2,097.9	58.1	28.5	9.4	3.2	58.1	55.7	19.3	20.0	5.0	19.7	5.2
1988	4,267.2	66.3	16.3	20.4	-2.1	2,467.5	59.2	30.4	9.2	2.3	1,003.8	55.0	20.1	19.7	5.2	19.7	5.2
1989	4,293.6	66.1	15.2	20.1	-1.5	2,831.1	56.2	31.3	9.1	1.4	1,073.2	55.0	20.8	18.2	5.4	19.7	5.4
1990	4,506.7	66.8	13.9	20.5	-1.2	2,335.9	58.0	32.3	9.0	0.7	1,182.9	54.4	21.3	18.3	5.5	19.7	5.5
1991	4,774.9	67.2	12.4	20.7	-0.3	2,752.2	57.2	32.2	9.0	1.7	1,296.7	57.1	21.5	19.5	0.6	19.7	0.6
1992	4,819.3	67.6	12.7	20.2	-0.5	2,870.9	57.8	30.8	9.2	2.2	1,521.5	57.1	22.9	20.1	-0.1	19.7	-0.1
1993	5,002.8	68.0	13.4	19.8	-0.9	3,647.4	58.6	29.7	9.4	2.3	1,831.2	55.0	21.4	20.1	0.5	19.7	0.5
1994	5,459.1	67.9	14.5	19.9	-1.3	3,362.3	59.7	28.7	9.6	2.1	1,725.2	57.1	22.4	19.6	0.6	19.7	0.6
1995	5,519.9	68.2	14.3	18.7	-1.2	3,975.3	60.2	28.5	9.9	1.5	1,887.5	57.2	22.4	19.6	0.6	19.7	0.6
1996	6,096.4	68.2	14.6	18.4	-1.2	3,674.2	59.8	29.9	9.8	0.5	1,875.8	57.5	21.5	19.6	1.3	19.7	1.3
3rd qtr.1996	6,085.9	68.1	15.0	18.4	-1.5	3,641.5	59.6	30.0	10.0	0.4	1,888.8	57.6	21.1	19.6	1.4	19.7	1.4
4th qtr.1996	6,205.8	68.1	14.6	18.3	-1.1	3,548.0	59.9	29.8	9.7	0.6	1,855.6	57.5	21.7	19.4	1.5	19.7	1.5
1st qtr.1997	6,773.3	68.1	15.0	18.1	-1.2	3,621.7	61.6	28.2	9.8	0.4	1,860.5	57.2	21.5	20.0	1.4	19.7	1.4
2nd qtr.1997	7,030.6	67.8	15.3	18.1	-1.3												
% growth in						% growth in						% growth in					
Current Prices	GDP	Cons.	Invest.	Govt.	Exports	Current Prices	GDP	Cons.	Invest.	Govt.	Exports	Current Prices	GDP	Cons.	Invest.	Govt.	Exports
1987	2.9	3.1	1.2	2.7	11.0	4.1	4.2	8.0	1.6	-0.5	1.4	3.5	0.3	1.6	-0.1	1.6	-0.1
1988	3.8	3.9	0.8	1.3	15.9	6.3	5.3	13.7	2.3	5.9	3.6	2.4	7.6	2.1	5.2	2.1	5.2
1989	3.4	3.1	2.3	4.3	2.0	11.7	4.8	4.7	8.2	2.0	9.2	3.7	3.2	6.5	-1.6	10.6	-1.6
1990	1.2	1.7	-5.6	3.0	8.5	5.2	4.4	7.9	1.5	6.9	5.9	3.2	8.7	1.2	11.6	1.2	11.6
1991	-0.9	-0.6	-9.4	0.6	6.8	3.8	2.5	-4.1	2.0	5.2	4.9	5.7	6.7	3.3	11.0	3.3	11.0
1992	2.7	2.7	7.1	1.4	6.6	1.0	2.1	-3.0	2.0	5.0	1.8	2.6	0.6	4.3	-1.5	4.3	-1.5
1993	3.8	3.8	3.9	-0.9	2.9	1.1	1.1	1.3	1.3	1.3	0.2	4.6	1.7	1.7	-0.1	4.6	-0.1
1994	2.3	2.9	9.3	0.0	11.1	0.7	1.9	-1.2	2.4	4.6	2.9	1.1	1.1	1.1	8.1	1.1	8.1
1995	3.5	3.3	13.0	0.0	8.2	0.7	1.3	2.0	-1.9	3.5	5.5	2.0	2.0	2.5	6.3	2.0	6.3
1996	2.0	2.4	1.6	0.0	11.1	1.3	2.0	-1.9	3.5	5.5	2.0	2.0	2.5	2.0	6.3	2.0	6.3
1996	2.6	2.6	7.8	0.5	8.3	3.7	2.9	8.8	2.3	2.3	1.4	1.1	-1.4	2.4	5.1	1.1	5.1
3rd qtr.1996	2.7	2.3	12.0	0.5	6.1	3.5	1.8	9.6	2.4	2.1	1.8	1.1	-2.0	2.5	4.3	1.1	4.3
4th qtr.1996	3.3	4.7	10.4	1.9	9.3	3.0	2.0	4.7	2.9	6.1	2.2	0.9	2.0	1.5	9.4	2.2	9.4
1st qtr.1997	4.0	4.2	13.5	1.4	11.4	2.6	4.6	-2.6	2.2	7.5	2.8	0.5	3.1	3.8	11.1	2.8	11.1
2nd qtr.1997	4.1	2.5	11.9	0.6	12.6												
FRANCE						ITALY						UNITED KINGDOM					
Current Prices	Gross Domestic Product	Private Cons.	Total Invest. as a % of GDP	Govt. Cons. as a % of GDP	Net Exports as a % of GDP	Current Prices	Gross Domestic Product	Private Cons.	Total Invest. as a % of GDP	Govt. Cons. as a % of GDP	Net Exports as a % of GDP	Current Prices	Gross Domestic Product	Private Cons.	Total Invest. as a % of GDP	Govt. Cons. as a % of GDP	Net Exports as a % of GDP
1987	770.5	60.8	20.2	19.1	0.1	557.7	69.2	21.2	17.1	-0.5	70.6	62.7	18.0	20.6	-1.3	19.3	-0.7
1988	815.2	59.8	21.4	18.7	0.1	706.3	61.8	21.5	17.3	-0.6	70.6	63.1	20.4	19.7	-0.4	19.7	-0.4
1989	877.8	59.4	22.3	18.2	0.0	789.8	62.3	21.4	17.0	-0.8	766.9	63.1	21.0	19.7	-0.4	19.7	-0.4
1990	940.8	58.3	22.5	18.2	0.0	860.5	61.6	21.1	17.8	-0.5	770.8	63.1	19.2	20.5	-2.7	19.7	-2.7
1991	973.0	59.6	21.5	18.6	0.3	932.3	62.1	20.6	17.9	-0.6	812.1	63.5	16.1	21.6	-1.8	19.7	-1.8
1992	1,005.0	59.9	19.2	18.1	1.4	944.1	63.0	19.5	17.9	-0.4	825.6	64.0	15.3	22.0	-1.2	19.7	-1.2
1993	1,067.7	60.6	17.2	20.1	2.6	944.1	62.6	16.7	17.9	2.6	811.1	64.4	15.0	21.8	-1.3	19.7	-1.3
1994	1,125.6	60.1	18.0	19.7	2.2	858.6	62.8	17.2	17.4	2.9	864.8	63.9	16.1	21.5	-0.9	19.7	-0.9
1995	1,185.7	59.3	18.3	19.6	2.4	840.8	62.5	16.2	16.4	2.6	859.7	62.9	16.1	21.2	-0.7	19.7	-0.7
1996	1,238.9	60.6	17.2	19.7	2.6	963.7	62.2	15.1	16.6	4.1	923.6	63.9	15.9	21.0	-0.7	19.7	-0.7
3rd qtr.1996	1,230.3	60.6	17.2	19.6	2.6	968.3	62.2	15.6	16.6	4.7	916.9	64.1	15.6	21.0	-0.7	19.7	-0.7
4th qtr.1996	1,221.5	60.3	17.1	19.7	2.8	963.3	62.2	17.1	16.7	4.0	959.7	63.8	15.8	20.7	-0.3	19.7	-0.3
1st qtr.1997	1,217.7	60.4	16.7	19.8	3.1						1,068.9	63.9	15.5	20.5	0.0	19.7	0.0
2nd qtr.1997																	
% growth in						% growth in						% growth in					
Current Prices	GDP	Cons.	Invest.	Govt.	Exports	Current Prices	GDP	Cons.	Invest.	Govt.	Exports	Current Prices	GDP	Cons.	Invest.	Govt.	Exports
1987	2.3	2.9	5.1	2.8	3.1	3.1	4.1	5.2	3.2	-1.6	-0.8	4.8	5.3	10.7	1.0	5.8	5.8
1988	4.5	3.3	9.8	3.4	8.1	3.9	4.2	3.7	2.7	5.7	5.0	7.5	17.3	0.7	10.7	0.7	10.7
1989	4.3	3.1	8.8	0.5	10.2	2.9	3.3	3.4	0.9	8.9	2.2	3.2	3.6	1.4	7.7	1.4	7.7
1990	2.5	2.7	3.4	2.1	5.4	2.2	2.4	-0.1	1.3	6.8	0.4	0.6	-1.4	2.5	5.0	2.5	5.0
1991	0.8	1.4	-3.1	2.8	4.1	1.1	2.7	4.7	1.7	-0.8	-0.2	-0.2	-12.3	2.6	-0.7	2.6	-0.7
1992	1.2	1.2	-5.2	3.4	9.9	0.6	1.0	-1.5	1.1	5.9	-0.5	-0.1	1.6	-2.1	2.5	1.6	2.5
1993	-1.3	0.2	-13.6	3.4	-0.4	-1.2	-2.4	-15.3	0.5	9.5	2.1	2.5	2.8	-0.2	3.5	2.5	3.5
1994	2.8	1.4	10.3	1.1	6.0	2.2	1.4	-0.2	0.6	10.7	4.2	2.8	7.0	1.2	9.3	7.0	9.3
1995	2.1	1.7	3.7	0.0	6.3	2.9	1.8	7.4	-1.3	11.6	2.7	1.7	2.6	1.3	7.8	1.7	7.8
1996	1.5	2.1	2.8	1.2	4.8	0.7	0.7	-1.8	0.4	-0.3	2.2	3.5	0.3	2.4	6.9	3.5	6.9
3rd qtr.1996	1.6	2.0	-4.5	1.3	6.8	0.6	0.6	-5.2	0.8	1.7	2.1	3.6	-1.6	2.1	6.1	3.6	6.1
4th qtr.1996	2.1	1.8	0.0	1.4	8.6	0.2	1.0	-8.1	0.8	3.7	2.7	4.3	-0.5	2.4	7.1	4.3	7.1
1st qtr.1997	1.1	-0.3	1.4	1.1	5.1	-0.4	1.5	-7.1	0.6	-1.6	3.1	3.7	0.3	0.9	6.7	3.7	6.7
2nd qtr.1997																	

Seasonally adjusted data used in all cases. GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), and government consumption and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government sector rather than under investment. Quarterly GDP totals are annualized. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream from national government sources.

NEWS: INTERNATIONAL

EU peace envoy claims clampdown likely to bring insecurity instead of security

Israel's retribution widens rift

By Avi Machlis in Jerusalem

Mr Miguel Moratinos, the European Union's Middle East envoy, yesterday sharply criticised Israeli sanctions against the Palestinians ordered after two suicide bombers killed 13 Israelis last week in Jerusalem.

Despite a flurry of diplomatic activity yesterday, the row between Israel and the Palestinians appeared to be worsening.

"The EU is supporting all measures which can bring security to Israel but we cannot really understand some measures that instead of bringing security are bringing insecurity," said Mr Moratinos. He was speaking after meeting Mr

Yassir Arafat, the Palestinian leader.

Mr Moratinos later met Mr Benjamin Netanyahu, the Israeli prime minister, who rebuffed the EU envoy's pleas to lift sanctions.

The Israeli measures include a suspension of peace talks, a closure of the occupied West Bank and the Gaza Strip and a suspension of the transfer of funds from Israel to the Palestinian Authority, the self-rule government. Israel has also threatened to send security forces into Palestinian-controlled areas of the West Bank in violation of peace accords if Mr Arafat does not fight terror groups.

Israel yesterday arrested 29 more Palestinians suspected of involve-

ment in radical Islamist groups in the West Bank, bringing the total number of those detained since Wednesday's bombing to 145.

However, five days after the marketplace bombing, Israel was still unsure which organisation was behind the attack. It was also unclear whether the bombers came from Palestinian or Israeli-controlled areas of the West Bank or Gaza Strip or from abroad.

But Mr Netanyahu said Israel would continue the sanctions until the Palestinians cracked down on terror organisations. He said the PA must decide if it is "a regime that fights terror... or a regime that encourages terrorism".

Mr Arafat called the Israeli mea-

sures "illegal acts" and "collective punishment against the Palestinian people". He was scheduled to travel to Amman last night and meet King Hussein of Jordan in an effort to galvanise Arab support.

Both sides are trying to bolster their positions ahead of the arrival of Mr Dennis Ross, the US Middle East peace envoy, expected in the region for a new mediation effort later this week.

Mr David Levy, Israeli foreign minister, will today travel to Cairo for talks on the peace crisis with Mr Hosni Mubarak, the Egyptian president, and Mr Amr Moussa, Egypt's foreign minister. The Arab League is also scheduled to hold a special meeting in Cairo today at

the request of the Palestinians. Meanwhile, a delegation of Israeli Arabs, including seven members of the Israeli Knesset (parliament), yesterday set out on a visit to Syria to discuss the peace process with Syrian officials. Israeli-Syrian peace talks have been frozen since March 1996.

Israeli commandos yesterday killed five Hizbollah guerrillas during a raid into southern Lebanon that extended past Israel's self-declared "security zone".

Six Lebanese civilians were injured in the clashes near Nabatiyeh in southern Lebanon.

Hizbollah is waging a guerrilla war to oust Israel from its 15km-wide zone in south Lebanon.

Reform or die, mining industry is told

Millions of South Africans depend upon the success of its gold mines, writes Roger Matthews

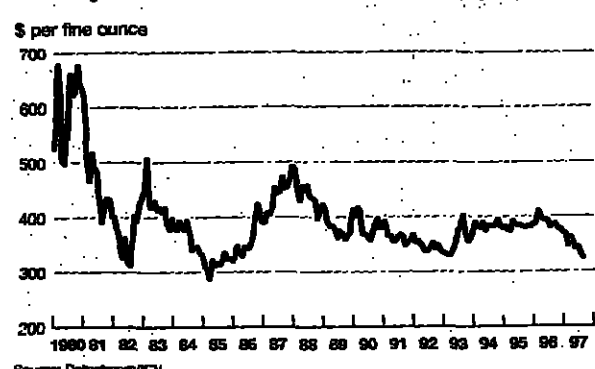
The South African gold mining industry is about to demonstrate whether it has the same instinct for compromise and survival as the nation's politicians. The choices are similarly stark. Either come up with a new deal, or face continued decline and near-certain disaster.

Given that South Africa possesses about 40 per cent of the world's gold reserves, that sales account for nearly 20 per cent of export earnings, and that up to 2m people are dependent on the industry, failure to adjust appears unthinkable. But the high-cost, deep-level mining industry with its antiquated working practices, has been postponing radical reform for years.

Costs have climbed as the richer seams have been worked out, wage demands have been conceded without any compensating productivity agreements and few rigid working practices have been eased to reverse the entrenched hostility between essentially black labour and white management.

When the gold price topped \$800 an ounce such practices were scarcely relevant. Even at \$380-\$400 the need for reform was not sup-

Gold price: the nation's declining wealth



Source: Datastream/FTC

ported by much sense of urgency. But at about \$325, the level at which the metal appears to have stabilised following its precipitous fall this year, analysts say at least 60 per cent of mines are not sustainable.

The most alarming of analysts' price projections - gold dipping below \$300 and staying there for an extended period - would leave just 20 per cent of the country's mines operating profitably.

It is against this background that mine managements and the National Union of Mineworkers are seeking to complete the details of the industry's first

over pay deal directly linked to productivity.

Mine managements spent five months working out a proposed deal which was put to the union last month. It provides for pay rises of up to 25 per cent over each of the next two years for the lowest paid, while most miners will receive two annual increases of 9-10 per cent.

In return the union has pledged to increase output by 90 tonnes in the year which began on July 1, reversing the trend which has seen production decline steadily to the point where last year it hit a 40-year low of just 495 tonnes.

While mine owners have

South Africa's deep-level mining with its antiquated working practices, has been postponing radical reform for years

agreed how the 90 tonnes increase will be apportioned among them, with Gold Fields of South Africa, the country's second largest producer, aiming to provide more than 50 per cent of the increase, the key will be agreement with unions at local level. Without that the pay increases will not be met.

Managements have so far reported uneven progress. Mr Nick Segal, president of the Chamber of Mines, said yesterday there had been good progress in some negotiations, but others were experiencing difficulties. "The picture is rather uneven," he said. "We are

continuing to review the position with the National Union of Mineworkers and hope a clearer picture will emerge later in the week."

Anglo American, the world's largest producer, says it needs to achieve a 5 per cent increase in production just to cover the pay rises. But Mr Bobby Godsell, head of Anglo's gold mining operations, warned last week that productivity agreements would take time to achieve because the battle was to change decades of confrontational industrial relations.

Although the shape of productivity deals will vary from one mine to another, a common theme in raising output is the extent to which agreement can be reached on extending the working year. The tradition of not working Sundays, every other Saturday, and public holidays, costs the industry 90 days a year. Some production targets might still be met without changing that pattern, but most managements believe union flexibility is critical to the survival of marginal mines.

The government is watching nervously. When last year Anglo American said it might have to dismiss 10,000

miners, Mr Tito Mboweni, the labour minister, stepped in immediately to demand the withdrawal of the threat. The crisis was postponed, but since then the risk of redundancies has increased, economic growth has slowed to little above 2 per cent, and the government is failing to meet an increasing number of macroeconomic targets.

Mr Chris Stals, the governor of the Reserve Bank, has sought to play down the impact on the rand of a lower gold price. He says that even if gold remained at \$320 an ounce for a full year the loss of foreign exchange earnings would be less than 3 per cent of total exports. "Relative to the volatility of net capital movements, the amount should not create any undue pressure on the rand exchange rate," he said.

But with Mr Stals also under pressure to cut interest rates to ward off the threat of recession, failure to finalise the gold mining deal would send further negative signals to the currency markets. The weakness of the rand yesterday suggests even more may be riding on these negotiations than the industry on which South Africa is built.

INTERNATIONAL NEWS DIGEST

Khatami keeps vice president

Mr Mohammad Khatami, Iran's new president, yesterday reappointed Mr Hassan Habibi as first vice-president, a post he held under Mr Akbar Hashemi Rafsanjani, the outgoing president. Mr Habibi's nomination was widely expected and is not considered controversial, pointing to Mr Khatami's efforts to move cautiously in his appointments.

Mr Khatami hinted yesterday that his cabinet list had not been completed. He must submit the list for approval to a parliament dominated by conservatives, some of whom have complained that Mr Khatami had failed to consult them about the formation of the cabinet.

In Bonn, Mr Klaus Kinkel, German foreign minister, said yesterday the European Union would not allow Tehran to dictate the terms of the return of EU ambassadors to Iran. All EU states except Greece recalled their ambassadors from Tehran after a German court ruled in April that Iran's top leaders had ordered the 1992 assassination of four Iranian Kurdish dissidents in a Berlin restaurant. Iran has said the envoys can return to Tehran but has indicated the German ambassador must be the last.

Robin Allen and Reuter

TREASURY BONDS DUMPED

Kenyan currency falls further

Kenya's national currency dropped a further notch yesterday and foreign investors dumped treasury bonds as nervous markets continued to absorb the impact of last week's suspension of aid by the International Monetary Fund. The shilling ended the day at K2.07/\$3.36 to the US dollar compared to Friday's closing 61 after falling as low as 64, a measure of the damage the IMF decision last week to suspend aid over unresolved corruption concerns has done Kenya's financial credibility.

Blue-chips also fell, with the stock exchange index closing 24.95 points lower, but trading was abnormally thin as most players hung back to see how events would unfold. Most nervous was the bond market, with a total of K520m (\$3.8m) of central bank treasury bonds sold in a sign of faltering market confidence.

Kenya's image sustained a further blow as an air traffic controllers' strike entered its third day, triggering turmoil at airports in Nairobi, Mombasa, Kisumu and Malindi at the height of the tourist season. Outgoing flights were delayed by up to 12 hours and arriving flights waited up to two hours to land.

Michela Wrong, Nairobi

30% STAKE

Doubts over SAA sell-off

The part-privatisation of South African Airways was called into question yesterday when Transnet, its state-owned parent, distanced itself from plans to sell a minority stake in the airline to a foreign partner.

SAA has interests in an array of other African airlines, and is regarded by many international competitors as a potential vehicle for developing a pan-African carrier. Although the government won unions' support for the disposal in March of a 50 per cent stake in Telkom, the telephone utility, no timetable has been set for the airline. However, Mr Saki Maccozoma, managing director of Transnet, said yesterday a proposal to sell a stake in SAA was tentative, in spite of clear government intentions to proceed with the sale.

Mark Ashurst, Johannesburg

NEWS: TRADE

Shiseido aims at S Korean market

By Gwen Robinson in Tokyo

Shiseido, Japan's leading cosmetics maker, has established its first joint venture in South Korea to import and sell Shiseido products, to target Asia's emerging middle-class markets.

The deal follows Shiseido's announcement last month of a new line of low-priced cosmetics aimed specifically at Asian markets. The new "Za" skincare and makeup brand will not carry the Shiseido brand name, and will be available off-the-shelf in chain stores throughout Asia.

The joint venture, the first of its kind by a Japanese cosmetic maker, comes amid rapid growth of Shiseido's sales in Korea, which amounted in the business year to March to ¥1bn (\$8.4m) on a wholesale basis. The Korean cosmetics market has surged in recent years to make South Korea the largest cosmetics market in Asia after Japan, with overall sales of about ¥380bn.

The company has established Shiseido Korea jointly with Pacific Corporation, a Korean cosmetics maker which has been selling Shiseido products in Korea under the name of Youmeo Cosmetics. Shiseido has taken a 60 per cent stake in the venture, which is capitalised at about ¥910m, while Pacific owns a 40 per cent stake.

The company is also focusing on China, one of its fastest growing markets. Europe accounts for 38 per cent and the US, 20 per cent of total sales, with the remainder coming from duty free sales. By 2000, Shiseido expects Asia to account for 40 per cent, with the US and Europe accounting for 30 per cent each.

In the light of recent currency turbulence in Asian countries, company officials acknowledged widespread concerns about investment in the region. But US and European companies vying for market share will face the same risks, they added.

Hopes high for China's WTO bid

By Frances Williams in Geneva and Nancy Dunne in Washington

The US is pinning its hopes for Chinese entry into the World Trade Organisation on an expanded market-opening package due in September.

However, China has told its trading partners not to expect too much from its forthcoming offer to open its services sector to foreign competition. This follows only a piecemeal offer by Beijing last week to improve access for foreign imports of goods.

"The US prefers to have China in the WTO where it can be dealt with multilaterally rather than being the singular enforcer of trade disciplines which leads China to offer plums to other countries," said Mr Jay Ziegler, spokesman for the US trade representative.

Several senior US trade officials are to visit Beijing in the coming months to prepare for a state visit to Washington by President Jiang Zemin in October. However, Ms Charlene Barshefsky, the US trade representative, is no longer planning to go to Beijing, a sign

that she anticipates no final deal in the near term.

After last week's meeting of the WTO working party on Chinese membership, European Union and Japanese officials said China had signalled its revised offer due at the end of this month or early September would contain only limited improvements.

The Chinese proposals, which will cover areas such as banking, insurance, distribution and telecommunications, could be critical in determining whether China can enter the world trade body by next May, when

trade ministers will celebrate the 50th anniversary of the birth of the General Agreement on Tariffs and Trade, the WTO's predecessor.

The planned US-China presidential summit in late October had been seen as a possible platform to launch the final stages of the WTO negotiation but US trade officials said on Friday that "a lot more needs to be done".

However, Mr Long Yongtu, China's chief WTO negotiator, urged WTO members to have "a realistic expectation" concerning foreign access to China's still unde-

veloped services sector and stressed the need for "progressive liberalisation".

Addressing the WTO working party, he said China would continue to open its goods and services markets after accession and that the entry negotiations were just the beginning of the historical process of continued market liberalisation in China.

EU officials say the Chinese have dampened hopes of significantly improved access for foreign companies in financial services and telecommunications, two of the biggest services sectors.

Unctad tries to beat customs fraud

Trade body has developed system to ease transit of goods, says Frances Williams

An upsurge in fraud, smuggling and corruption with potentially "catastrophic consequences" has prompted the United Nations Conference on Trade and Development (Unctad) to develop a global information system for customs transit.

The Geneva-based organisation argues that poor, landlocked countries in particular already face inflated transport costs mainly as a result of long door-to-door transit times.

In parts of west Africa, for instance, transport costs amount to more than a quarter of the value of the goods imported. This compares with about 1.4 per cent on average for industrialised nations, and about twice that for developing countries as a group.

Transit schemes - which allow goods to travel through one or more countries to their final destination with the minimum of frontier checks and formalities - can cut costs significantly by reducing unnecessary paperwork and delays at border posts.

Interest in these schemes has grown alongside the expansion of regional trading arrangements, especially among developing nations. Unctad recently brokered a regional transit accord between China, Mongolia and Russia, and is advising

on a transit arrangement that would revive the old "silk route" from Europe to Asia through the former Soviet republics of central Asia.

Yet in Europe carefully elaborated existing systems for handling transit traffic are on the verge of collapse. Under the European Union's "common transit system", for example, billers of goods such as cigarettes and

because insurers and national haulage associations refused to post the necessary guarantees.

The entire TIR system nearly foundered late last year when the two main German hauliers' associations threatened to pull out after problems obtaining reimbursement of guarantees.

For developing countries the problems of fraud and corruption - and their conse-

quences - can be even more serious. Mr Rubens Ricupero, Unctad's secretary-general, notes that some of the poorest countries depend on customs for between 40 and 80 per cent of their revenues.

"Because most transit operations worldwide are still monitored using paper documents only, it is impossible today to quantify the accumulated damage caused by fraud, corruption and unintentional administrative errors," he told a meeting organised by the Brussels-based World Customs Organisation.

The Unctad transit information scheme would involve the computerisation of basic transit documenta-

tion and the electronic exchange of information between customs administrations, transport operators and others involved in transit services including insurance companies.

The idea would be to come up with a transit information kit that could be used by the poorest countries while being compatible with similar systems now being planned or operated by the

transit and eastern Europe. However, the transit information kit would be designed to work with any computerised customs system.

As the Asycuda programme has already demonstrated, automated information systems not only cut business costs, but also deter corruption by recording all transactions. Rapid information exchange, meanwhile, helps cut fraud. Unctad officials point out that a truck that goes missing in central Europe today may not be identified as lost for two or three months, making it easy for criminals to cover their tracks.

Under a computerised system the crossing of a frontier can be notified to the next border crossing or destination immediately. Late consignments can be quickly investigated.

Moreover, once the consignment arrives safely, the guarantor or customs bondholder can be informed within hours and the guarantee released within days. This compares with the several months it can take for hauliers and others to get their money back under existing systems that use paper documents and postal services.

Unctad officials say they hope to test the new system as soon as next year, most probably in southern Africa.

WORLD TRADE NEWS DIGEST

US hails chip sales in Japan

The foreign share of Japan's semiconductor market hit a record 32.6 per cent in the first quarter of 1997, the US trade representative's office said yesterday.

The previous record was 29.6 per cent in the fourth quarter of 1995. The foreign share was 28.4 per cent in the fourth quarter of last year.

Ms Charlene Barshefsky, US trade representative, said the increased penetration of the market was "evidence that market forces are at work". Although no details were released, she said increased sales by US companies contributed to the improved foreign share.

Foreign penetration of the formerly closed market continued despite last year's US-Japan semiconductor arrangement where both sides agreed on a less intrusive government role, which succeeded a five-year deal.

During the period of the 1991 arrangement, foreign market share increased from 14.3 per cent in the third quarter of 1991 to an average 27.3 per cent over the last full year of the agreement.

Nancy Dunne, Washington

OPEN SKIES

US and Japan divided

Japan and the US remain divided on aviation issues, Japan's transport ministry said yesterday. The comment came after the end of the first of three days of talks on aviation issues between the two sides.

The Japanese have asked for equality in passenger services and have rejected the US "open skies" policy.

The US has argued for a more liberal aviation regime that would give airlines of both countries unlimited freedom in deciding destinations and frequencies over the Pacific as long as safety, security and slot limitations are taken into consideration. It has also pushed for more opportunities for its airlines to fly beyond Japan to other countries in Asia.

AP-Dan Jones, Tokyo

VEHICLE VENTURE

Toyota enters India

Toyota, the Japanese carmaker, is to enter India's increasingly crowded market making a utility vehicle in a joint venture with the Kirloskar Group, the diversified Indian engineering company.

Toyota is to take a stake of 74 per cent in the \$170m venture to produce 50,000 of its Kijang sports utility models a year. The companies said they expected production to begin towards the end of 1999 from a new factory at Bidadi, outside Bangalore in the southern Indian state of Karnataka.

The investment follows almost a year of talks between Toyota and Kirloskar. It also comes 18 months after Toyota sold its interests in a light commercial vehicle venture with DCM Group, another Indian engineering company.

Toyota's commitment to India follows those of rival Japanese manufacturers Honda and Mitsubishi, both of which in the last year have announced partnerships with Indian companies to build new car plants. However, Toyota's entry vehicle will be aimed at a niche, premium market for off-road vehicles so far shared between Telco and Mahindra & Mahindra, India's biggest manufacturers of utility vehicles.

Mark Nicholas, New Delhi

مركز العمل

Thais to see aid package today

By Ted Bardacke in Bangkok and Gillian Tett in Tokyo

Mr. Thanong Biday, Thailand's finance minister, will today submit to cabinet a framework economic rescue package agreed with the International Monetary Fund. But IMF officials warned that full details of the plan, keenly awaited by Japanese banks preparing to offer their own support package, were still subject to continuing discussion.

Mr. Thanong said he would outline the package in a nationally televised speech this evening. "Discussions have been going well and the key policy elements of such a package are falling in place. I am confident it's going to be approved by the cabinet and it's going to be good news," he said.

An IMF official suggested the plan presented to the Thai cabinet today might not be enough for the IMF executive board, immediately to approve any funding package under

emergency procedures likely to be followed. Agreement is needed "not just on the major contentious parts but on the details as well," the official said.

The baht strengthened slightly yesterday to Bt21.67 to the US dollar against Bt31.94 on Friday, on expectations the Thai cabinet's action would bring the country one step nearer entering a formal IMF programme.

The programme would be the signal Japan's public and private-sector banks are awaiting before they offer a financial support package. Japan is Thailand's biggest single creditor.

One senior Japanese banker said yesterday: "The Japanese banks are ready to provide significant help now, but what we need to know clearly is just how big the financing gap really is and what the money will be used for."

One key plank of Japan's support if agreed, will come from the Export-Import Bank of Japan, a government trade and overseas development

group. Japanese officials said the bank would be prepared to offer emergency financing loans up to equal to the amount offered by the IMF. The loans would be used for balance of payments purposes and longer-term adjustment projects.

This is likely to leave the bank, which has an annual budget of ¥1.48bn (\$12.6bn), making the largest single emergency loan in its history. The biggest untied loan made previously was a loan of \$1.9bn to Mexico in 1989, partly for balance of payments support.

In 1995, the bank made a loan of ¥800bn to Argentina to help it overcome the currency turbulence caused by the economic crisis in Mexico that year. This experience is expected to be a model for any aid to Thailand. One Japanese official said yesterday: "What we would do in Thailand would be bigger, because it is our neighbour."

The private-sector support package is likely to be co-ordinated by groups such as the Bank of Tokyo

Mitsubishi, Japan's largest bank, which has almost \$5bn worth of lending exposure to the country. The Industrial Bank of Japan (IBJ) and Sakura Bank are likely to play a key role.

Total lending by private banks could account for between a quarter and a third of the support package to Thailand, some banking officials suggested yesterday.

Japanese banks had some \$37.55bn worth of outstanding loans to Thailand in June 1996, according to the last available data. This accounted for almost half all foreign bank lending to Thailand.

Japanese banks fear if they do not take part in a support package, they could suffer loss from any further Thai economic decline.

The Japanese government is also keen to show it can play an effective role as the region's financial powerhouse, though it stresses it does not want to act on its own, but rather in co-ordination with groups such as the IMF.

Malaysian measures lift currency value

By James Kyngne in Kuala Lumpur

Malaysia's imposition of selective foreign exchange controls had its desired effect yesterday, driving the ringgit up sharply against the US dollar and depressing domestic interest rates.

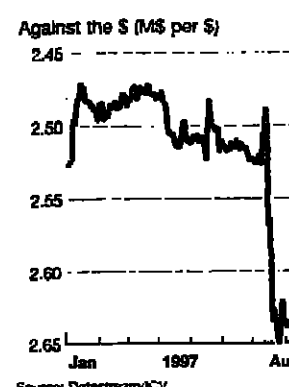
Treasury economists, however, said the measures announced by Bank Negara, the central bank, at the weekend might not be enough to support the ringgit in the longer term. They noted that while the Malaysian currency at one point appreciated 2 per cent to M\$2.5850 to the US dollar, it fell back in later trade to about M\$2.635.

Bank Negara's controls were aimed at shutting off foreign speculators' access to ringgit in the offshore swap market. The tactic worked in early trade in Sydney as currency dealers scrambled to buy ringgit, fearing a future shortage. But later demand slackened considerably, in a sign that many market players may have anticipated the restrictions, dealers said.

Under the rules, local banks are banned from selling more than US\$2m worth of ringgit to foreign customers other than those who need the currency for genuine commercial reasons, such as currency hedging requirements, trade needs and portfolio or direct investments.

Treasury economists said that the several exemptions

Malaysian dollar



A fall in short-term interest rates yesterday would have come as welcome relief to Malaysia's policymakers after signs that several months of high rates have been crimping consumption expenditure and were starting to slow the pace of lending to industry.

The one-month Kuala Lumpur interbank offered rate was at 8.22 per cent, down from 8.69 per cent on Friday. The benchmark three-month Klibor rate was at 8.19 per cent, down from 8.51 per cent.

Stockmarket investors reacted negatively to the news of the selective capital controls, partly out of concern that the flow of foreign funds into Malaysia could be hit. Some analysts also said that the controls were bad for Kuala Lumpur's record of seeking liberalisation in its financial markets. The main index fell 24.07 points, or 2.4 per cent, to 978.56.

Malaysia posted a trade deficit of M\$2.8bn (US\$1.2bn) in June, reversing May's surplus of M\$156.2m, agencies report. The huge deficit was for the purchase of commercial aircraft and ships, costing M\$2.2bn or 11.4 per cent of total imports in June. The trade deficit for the first half of the year ballooned to M\$2.7bn, from M\$687.8m in the same period last year, the Malaysian statistics department said yesterday.

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Chinese tax change upsets bankers

By James Harding in Shanghai

China plans to impose withholding tax on foreign banks' inter-branch and inter-bank funding, a levy which international bankers say would put them at an untenable disadvantage to Chinese competitors.

The new tax, which will not be levied on domestic state banks, would make lending in China unprofitable for many foreign banks, which rely on funds from their overseas branches to finance fledgling loan portfolios in China.

Managers of foreign banks in Shanghai are privately threatening to refuse payment of the tax, a sign of the frustration among overseas

bankers who have recently been allowed to start local currency operations but under highly restrictive terms. "We will not be able to conduct business if this tax is enforced," said the senior manager of a US bank in Shanghai yesterday. "We could not afford to lend and we could not afford to operate in Shanghai... we would have to move operations back to Hong Kong or Singapore."

Foreign banks have been informed in the past few days of Beijing's plan to impose the tax on the interest payable on interbank funding by overseas banks to their branches inside China. The tax is to be applied on business transacted from July 1 1997.

The State Administration of Taxation has drawn up the notice to clarify that foreign banks are not subject to the same exemption as Chinese state banks, and therefore "interest income derived from loans by foreign banks to foreign-invested financial institutions shall be levied with income tax."

Mr Fraser White, partner at the UK law firm Clifford Chance, said: "The change is likely to result in an increase in the cost of funds to foreign banks... the tax would put foreign bank branches in China at a significant funding disadvantage compared with the Chinese state-owned banks."

The tax bureau's initiative also appears to have alarmed the People's Bank of China

(PBOC), which is both the central bank and the authority that oversees the financial-sector liberalisation that has started in Shanghai.

A PBOC official said the withholding tax "would add to the costs of foreign banks to raise funds and would have an adverse effect on building Shanghai into a financial centre."

Another foreign banker, who also declined to give his name in advance of discussions with the Shanghai tax authorities later this week, said: "We hope there has been a misunderstanding somewhere. No one can be expected to lend profitably and pay this tax."

Bankers in Shanghai have been seeking clarification of the notice which threatens

to tax "foreign banks", a broad enough category to include both interbank and interbranch lending. Officials at the Shanghai tax bureau have confirmed the wording could cover interbranch funding, chief source of financing for many foreign banks lending in China.

Beijing tax officials acknowledged: "The tax will have some influence on their [foreign banks'] Chinese business. But we have to collect the money, and foreign banks have to pay... according to the law."

China's tax bureau has been seeking new ways to increase revenues, which have struggled to keep up with growing expenditure on welfare policies and infrastructure programmes.

Scourge of Pakistan's manufacturers

Smuggling is undermining the country's economy, writes Mark Nicholson

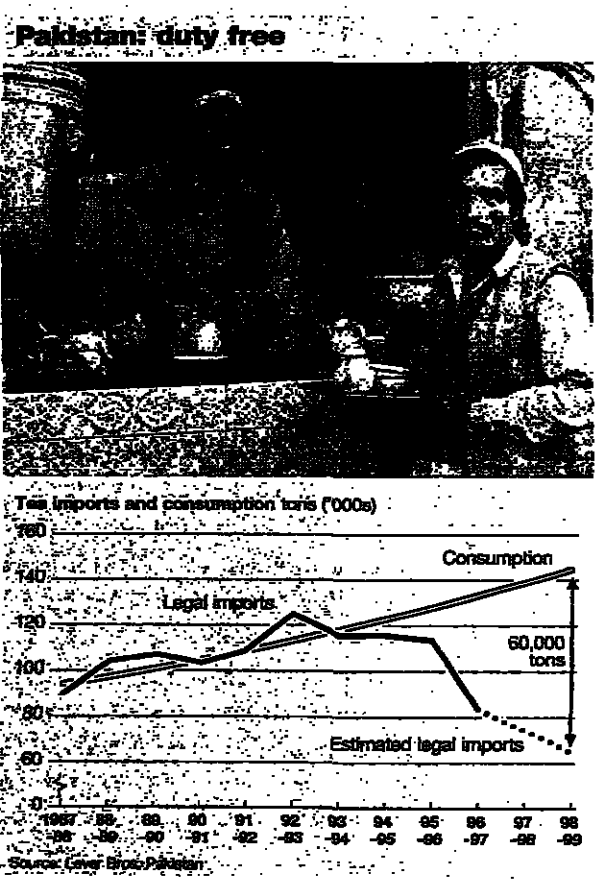
Picture a smugglers' bazaar on the Khyber Pass road north of Peshawar in Pakistan. Images might come to mind of hooded-eyed Pathan tribesmen huddled over glittering oriental treasures on worn carpets, the air charged with haggling and spices.

Perhaps once upon a time. Today, though, Hayatabad Bazaar is an unromantic sprawl of concrete and glass stores stacked to the beams with Nike shoes, Panasonic TVs, Sony video-disc players, Marks & Spencer sweaters and Compaq computers. Hayatabad is bigger than London's Covent Garden and cheaper than Dubai. It may be the biggest tax-free market in the world, and smells mostly of dust and lucre.

Mr Mohammed Ishaq Dar, Pakistan's commerce minister, believes the market may enjoy up to \$1.5bn worth of trade which Pakistan never officially registers. The full scale of such trade is, however, a guess in a country where some economists believe the "black" economy may actually equal Pakistan's official gross domestic product of \$65bn.

Hayatabad is not Pakistan's only thriving smugglers' den - indeed, the country's porous borders with Afghanistan and Iran have kept generations of Afghan, tribal and Pakistani smugglers in business since the days of the silk road. But Hayatabad is a prime and flourishing example of why foreign manufacturing investment in the country has proved so limited, why foreign consumer goods companies in Pakistan are hurting, and why, because of lost excise and duties revenues, Pakistan's government has such chronic difficulty in balancing its books.

The illicit flow of consumer goods across Pakistan's leaky borders - chiefly from Afghanistan - has



already ruined some domestic manufacturing industries, according to local executives. Among industries hardest hit, they say, are tea, soap and other personal goods, domestic appliances, batteries, tyres, bicycles and televisions.

Industrialists say smuggling is a strong contributor to Pakistan's poor recent economic performance. Foreign direct investment, for instance, fell last year to \$540m, from \$1.1bn a year earlier, while manufacturing output contracted by 1.4 per cent - for the first time in the country's 50-year history.

"A lot of people are now shy of putting money into the country because of this," says the sales manager of one multinational in Karachi.

"As things stand, you can only make money in this country by producing things people can't smuggle - like electricity or ice cream."

In tea, for example, Lever Brothers, the Pakistani subsidiary of Unilever, estimates that up to 60,000 tonnes of the country's annual consumption of 140,000 tonnes is now smuggled and that, while tea duties remain at 45 per cent, this proportion will continue to rise. The company says its branded tea can no longer compete on price with highly organised smuggling of Kenyan tea and may have to close down if it continues.

Industrialists attribute the recent sharp rise in levels of smuggling to the previous government's moves to raise

excise and customs duties on most imported goods. Facing a spiralling fiscal deficit and the traditional difficulty of Pakistani governments in enforcing tax compliance on personal and agricultural incomes, Mr Benazir Bhutto's government placed punitive duties on almost all consumer and manufactured items.

Television sales provide a further example. Philips, one of few foreign electronics manufacturers in Pakistan, estimates that 600,000 of the country's annual market of 700,000 television sets are smuggled.

Such illicit TV imports alone are costing the Pakistan government an estimated Rs2.7bn (\$87.5m) in lost revenues, says Mr Sarfraz Uddin, a manager at Philips in Karachi. They are also, he argues, providing a deterrent to investment by Japanese and other TV makers, who are winning large market shares without having to go to the trouble of building manufacturing plants.

The six-month-old government of Mr Nawaz Sharif has taken some steps to curb the smuggling. As part of its supply-side attempt to revive Pakistan's limping industrial economy, the government has sharply cut tariff and excise rates - taking Pakistan's maximum tariff, for example, down to 45 per cent from 65 per cent.

But companies such as Philips and Lever Brothers say duties must be cut further, while arguing that the government must act directly against the smugglers.

Both will prove difficult. The first because indirect taxes still provide the bulk of government revenues, and Pakistan is committed to a course of tight fiscal prudence to meet conditions for an expected \$1.6bn structural adjustment loan from

the International Monetary Fund. Further immediate cuts in duty and excise rates would be difficult unless the government has much greater success than its predecessors in raising direct tax revenues.

Direct curbs would also require political courage. For one thing, many of the bigger smuggling rings are believed to enjoy high-level political patronage. For another, the main markets like Hayatabad and smuggling routes from Afghanistan lie in the "tribal" territories of North West Frontier Province, where policing of local trading ways has been effectively resisted since well before the days of the traditional smugglers' den.

By Gillian Tett in Tokyo

Renewed gloom about the direction of the Japanese economy pushed yields on Japanese government bonds to a record low in Tokyo yesterday.

The yield on the 10-year government bond, which serves as a benchmark for the industry, touched 2.07 per cent during the day's trading as bond prices rose. Later, bonds fell in price and the yield rose to close at 2.155 per cent.

Yesterday's fall in yields prompted the Japanese government to cut its interest rate on so-called *zaito* funds lent by public-sector bodies by 0.1 of a percentage point to 2.7 per cent.

It represents a turnaround from the situation in May when, first, yields on government bonds rose to 2.645 per cent, amid hopes that the economy was recovering,

and short-term interest rates started to rise for the first time for 18 months, before later falling again.

Yesterday's movements reflect a sharp change in market sentiment about the outlook for the economy and the path of interest rates.

Mr Marshall Gittler, head of economic research at SBC Warburg, an investment bank in Tokyo, said: "The economic tide seems to be turning down again. I see no data coming up likely to turn the bond market in the other direction."

Earlier this year, economists were concerned that Japan's decision to raise its consumption tax from 3 to 5 per cent on April 1 would derail the recovery. On April 6, benchmark bond yields dropped to 2.075 per cent, at that point the lowest level seen in Japan.

But in May, traders began to think the economy had

weathered the tax rise well and was heading for a period of sustainable recovery.

Consequently, speculation erupted that Japan, keen to boost the economy, might be about to raise its interest rates, which have been pegged at 0.5 per cent - a historically low level - since the autumn of 1995.

But in July, optimism about the economy faded. Last week, a set of disappointing statistics reinforced the gloom: vehicle sales fell by an annual 10.1 per cent in July, industrial production dropped by a monthly 3.1 per cent, and industrial inventories of unsold goods rose sharply.

The Economic Planning Agency, the government research body, is expected to dismiss these signals when it issues its latest report today, arguing that the economy should soon rebound from the sales tax rise.

Vietnam bank's assets frozen

By Jeremy Grant in Hanoi

One of Vietnam's four state-owned banks has had its local assets frozen by a Singapore court following a dispute over liabilities in an allegedly unpaid trade deal.

Officials at the Industrial and Commercial Bank of Vietnam said yesterday they were examining their legal options after the Singapore branch of the Dutch investment bank Mees Pierson obtained an injunction freezing money in accounts held at Singaporean banks in the city state.

The development comes at a bad time for the commu-

nist-run country's beleaguered banking system. Vietcombank, the country's biggest state-owned bank, was last month forced into a rare public defence of its credibility after admitting it failed to honour a series of short-term trade debts owed to foreign banks.

The dispute between Mees Pierson and the Industrial and Commercial Bank centres on a letter of credit involving \$500,000 and a shipment of flour. The Vietnamese bank claims terms of a letter of credit were breached.

This is not the first time foreign parties have taken

legal action to recover what they claim are funds owed under letters of credit. Daewoo Group of South Korea has a \$5m case pending against an unnamed Vietnamese company.

● Vietnam's top military official and the man tipped as a candidate to replace Mr Do Muoi, Communist party general secretary, yesterday gave a rare glimpse of the military's view of economic reform, calling for the continued sell-off of shares in state-owned enterprises.

General Le Kha Phieu, a Politburo member, said the pilot sale of 10 state-owned enterprises had improved

productivity at the companies, increasing their capital. "The government will pursue this kind of arrangement more actively," he declared.

The military is increasingly powerful in Vietnamese politics but its views on the economy are largely unknown.

Vietnam's privatisation programme has been stalled for over a year by resistance from interests in the ruling Communist party.

Many state-owned companies are run by the military, which diplomats say is likely to resist any attempt to break its grip on manufacturing businesses.

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FT Surveys

Cluster of cases prompts call for full inquiry into connection with 'mad cow' disease

'New variant' CJD kills two more people

By Clive Cookson, Science Editor

Two more deaths from the "new variant" of Creutzfeldt-Jakob disease, the human brain condition linked to BSE, were confirmed last month, the government's health department announced yesterday. It said the total number of nvCJD cases was now 21, of whom 20 were dead and one was in a coma.

The National CJD Surveillance Unit in Edinburgh, the Scottish capital, has confirmed five new cases over the three months from May, after a quiet period from January to April during which there were none.

The growing toll, combined with evidence of a "cluster" of six cases in the south-east England county of Kent, has persuaded Mr David Hinchcliffe, the Labour MP who chairs the House of Commons health committee, to call for a full judicial inquiry into the alleged connections between CJD and BSE - "mad cow" disease.

Most scientists believe that the new variant, first detected early last year, is caused by the consumption of BSE-infected meat during the late 1980s, before measures were introduced to prevent contaminated beef from entering the human food chain. But no causal connection has been proved.

Mr Hinchcliffe, who has asked the prime minister to set up an inquiry, said he was concerned that Kent has had six deaths while there has been only one in the whole of London. Kent is the county where BSE was first diagnosed in 1986 and its farmers have had more than their fair share of cases.

Statistics point out, however, that rare diseases often cluster geographically - and it is very hard to show whether the distribution is caused by anything more than coincidence. The best known example is the alleged clustering of childhood leukaemia around some nuclear plants.

There was intense speculation during 1995 - before attention turned to CJD in young people - that an excess of CJD among beef and dairy farmers might be linked to BSE. But a detailed clinical study has just shown that all five recent CJD deaths among farmers were "sporadic cases" due to chance.

Scientists say that an infection spreading through a population often gives an uneven pattern. The emergence of the new variant so far could be compatible with an eventual total ranging from fewer than 100 cases to many thousands over the next two decades, epidemiologists say.

But Dr John Pattison, chairman of the government's advisory committee on BSE and CJD, said he has now discounted the doomsday scenario of hundreds of thousands of human deaths, which was mentioned when the new variant first appeared early last year.

Although the link between BSE and CJD is not proved, the Royal Society, the UK's senior scientific body, says there is now a compelling case for regarding the new variant of CJD as the human manifestation of BSE. It quotes a variety of experiments to support the case and says no one has come up with an alternative suggestion to explain the new disease.

Rival buys CD maker for \$18m

By Alice Rawsthorn in London

Mayking, the compact disc and audio cassette manufacturer that went into administration this spring, has been acquired by DCCdata, a rival Dutch group, for £11m (\$17.9m).

Robson Rhodes, the accountancy group appointed as Mayking's administrators in April, has been trying to find a purchaser for Mayking for several months. DCCdata, which is quoted on Nasdaq in New York, already has manufacturing plants in the Netherlands, France, Germany and the US.

Last week, Mr Brian Bonnar, the music executive who owned Mayking, sold his 80 per cent stake in One Little Indian, the independent record label, to Mr Derek Birkett, its co-founder. One Little Indian, a separate entity, was not directly affected by Mayking's administration. But Mr Bonnar tried to sell a minority stake in the label to several multinational music groups to raise capital.

Mayking's difficulties underline the financial pressure on the independent record industry. The group consisted of two companies: Mayking Multi-Media, which manufactures compact discs and made sales of £22.3m in 1996; and Mayking Cassettes, an audio cassette manufacturer with 1996 sales of £7.8m.

Both businesses were badly affected by overcapacity in the global CD and cassette production sector, and by a subsequent decline in prices. They also lost business when a number of independent record labels, which were long-standing customers, were acquired by multinational music groups with their own facilities.

Flights chaos as busiest week begins with crash-landing



More than 12,000 air travellers suffered long delays to flights at Manchester airport in northern England after the crash-landing of a British Airways flight, writes Richard Wolfe. Officials said around 25 flights were caught in congestion following the emergency on Sunday night. Another 50 flights were cancelled or diverted. The incident came at the beginning of the busiest week of the year for air

travel and Manchester is the busiest UK airport outside London. Flights were delayed by up to three hours.

Mr John Jones, captain of the flight between Manchester and Knock, in the Republic of Ireland, was yesterday praised for landing his plane safely after part of the undercarriage failed. He was forced to circle above the Irish Sea for three hours to use excess fuel before returning to Manchester. The 66

passengers and four crew escaped without serious injury as the plane landed on two of its three wheels.

The eight-year-old Advanced Turbo-Propeller plane, built by British Aerospace, was last serviced at the end of May. British Regional Airlines, which operated the flight for British Airways, said the failure of the undercarriage was the first to occur on one of its flights. Picture by News Team

Minister to judge IRA truce this month

By John Murray Brown in Dublin

Ms Mo Mowlam, chief Northern Ireland minister in the British government, said yesterday she would decide this month on whether Sinn Féin, the political wing of the Irish Republican Army, would be allowed into talks on the region's constitutional future.

Ahead of what will be her first meeting with Mr Gerry Adams, the Sinn Féin president, tomorrow, Ms Mowlam said it was her "responsibility under the law" to invite Sinn Féin to the talks if the IRA ceasefire was shown to be genuine.

But she stressed that no change in Northern Ireland's links with the UK would be made without the backing of the majority unionist community.

"No one is going to be pushed or bullied or beguiled," she said.

Ms Mowlam's comments indicate she is satisfied with Sinn Féin's assurances that the IRA was not involved in the attempted car bomb attack on a hotel near the border with the Irish republic last week.

But her speech, to a meeting of business people in Belfast, the Northern Ireland capital, was also seen as an attempt to answer concerns of pro-British unionists. The move comes as Mr David Trimble, the leader of the Ulster Unionist party, embarks on a round of consultations with unionists in the business, church and Orange Order communities on whether to enter talks if Sinn Féin is admitted in September.

Ms Mowlam reaffirmed the government's commitment to the so-called "triple lock", pointing out "any new arrangements have to be agreed among the parties and have the consent of the people and of the parliament of Westminster".

She applauded the IRA ceasefire as a "major and essential contribution" but she said "more can and should be done".

Ms Mowlam said that in order to demonstrate the commitment of both the UK and Irish governments, a disarmament commission would be in place by the time all sides sit down on September 15.

However, she fell short of demanding concrete action on decommissioning, as unionists would like. Instead, she indicated Sinn Féin should make a "commitment" to the decommissioning of illegal weapons.

Further evidence of this tentative rapprochement surfaced yesterday with signs that nationalist residents and the Protestant Apprentice Boys are close to agreeing a compromise for Saturday's planned Londonderry march, which has traditionally passes along the city's historic battlements. Parts of these overlook the hardline republican area of the Catholic Bogside.

Report to urge neutral directors

By William Lewis and Jim Kelly

A shake-up in the way non-executives are paid, and their role in boardroom disputes, could follow recommendations to be made today by the Hampel committee on how companies run their affairs.

The report will recommend that public companies should consider nominating one of their non-executives as a senior independent director in an attempt to enhance good corporate governance.

Members of the committee, chaired by Sir Ronald Hampel, chairman of ICI, foresee shareholders making use of the senior non-executive to express concerns about the performance of executive directors. The sug-

gestion follows complaints from institutional shareholders that they are often unable to register concerns about the performance of executives at the companies in which they invest.

The so-called recognised lead independent director may also be consulted by executive directors concerned about the activities of colleagues.

The report will also clear the way for non-executive directors to be paid partly in shares in an attempt to align their interests with those of shareholders. Non-executive directors are currently paid a flat annual fee for the work they do sitting on company boards, but there have been widespread calls for this to change.

The document will also stress that the report of the earlier Cadbury committee did not lay down strict rules requiring companies to separate the roles of chairman and chief executive. As long as there is a proper balance on companies' boards, chief executives should be permitted to take the post of chairman, the committee has concluded.

More generally, the Hampel committee will urge a shift from corporate governance regulations towards a system of broad principles. Members have concluded that the interpretations made by shareholders and consultancy groups of the Cadbury and Greenbury reports - the predecessors to the Hampel committee which produced the codes that companies follow on corporate governance - have imposed an unnecessary

compliance burden on UK companies.

Rejecting the so-called "tick-box" approach to corporate governance reforms, the Hampel report will call for a set of broad principles for companies to aspire to follow. Members hope that eventually their suggested principles will be merged with the Cadbury committee recommendations.

"The members recognise that, unlike the Cadbury and Greenbury committees, they have been able to sit back and think in a considered way how governance can be used to improve the competitiveness of UK companies," a consultant to the Hampel committee said yesterday.

Suggestions that the UK's unitary board system should be replaced by a two-tier system have been rejected.

PM is accused over Patten 'slurs'

By John Kampfner, Chief Political Correspondent

Blair denies role in drive against former governor of Hong Kong

The opposition Conservative party last night accused Mr Tony Blair, the prime minister, of raising questions about the reputation of Mr Chris Patten, the last British colonial governor of Hong Kong, in order to divert attention from a series of troubles affecting the government. Mr Patten was a Conservative minister before moving to Hong Kong.

Exploiting the worst week for the Labour government as it approaches its 100th day, Sir Brian Mawhinney, the Conservative shadow home secretary, claimed that officials in the prime minister's Downing Street residence, with his knowledge, had co-ordinated accusations against Mr Patten.

"We have seen them point the finger at the reputation of Chris Patten... for no better reason than to divert attention from a number of

unfavourable stories and the loss of the Uxbridge by-election (last week)," Sir Brian said. "This operation is being directed from Number 10 (Downing Street) on behalf of the prime minister. His house is not clean just because he is in Tuscany."

Government officials rejected suggestions of media manipulation, and said Mr Blair had not been involved in the weekend's events.

The prime minister left for holiday on Saturday in the wake of a string of setbacks. Though they have not severely undermined the government, they have damaged its aura of invincibility.

They have included the announcement by Mr Robin Cook, foreign secretary, that his marriage had ended after 28 years; a sustained Conser-

vative attack over the shareholdings of Lord Simon, the former BP chairman appointed to the government; and the suicide of Gordon McMaster, a Labour MP in Scotland. Mr Cook said at the weekend that he was solely to blame for the end of his marriage and that he planned to live with his secretary.

Officials said Mr Blair and Mr Cook had been made aware several weeks ago of allegations that Mr Patten may have passed intelligence material to Mr Jonathan Dimbleby, a journalist.

On Sunday, officials suggested that the MI6 secret intelligence service might look into the case. Yesterday it was made clear that not even the police would be involved, suggesting a downgrading of the inquiry.

Senior aides denied, however, that the disclosure of the allegations, and the establishment of an inquiry, had been "planned" by ministers over the weekend to offset potential damage caused by Mr Cook's problems.

Unattributable briefings of journalists are an everyday occurrence at Westminster, and ministers expressed surprise that the Conservatives had suddenly chosen to decry a tactic they often use.

Downing Street officials said they were confident that the investigation into the apparent leak of Hong Kong documents would be "objective". It is being carried out at the Foreign Office, from where several senior officials past and present attacked Mr Patten's uncompromising approach towards China.

In a further sign of government attempts to assert control over the civil service, it emerged that three heads of information at ministries have left suddenly.

Lead in drinking water may exceed EU safety limit

By Michael Peel in London

Millions of consumers could in future be drinking tap water that exceeds the legal limit for lead, even though their water supply companies are meeting health and safety standards.

The UK government has no plans to oversee replacement of the domestic lead piping which the water industry and the Consumers' Association say may cause tap water to fail to meet new European standards.

A draft European Union directive seeks to achieve a level of 10 microgrammes of lead per litre of water within 15 years, in line with World Health Organisation recommendations. The UK standard is 50 microgrammes per litre, averaged over a series of tests.

The government's environment department said there were more lead pipes in the UK than in many other EU countries. "Although France has a big problem with lead pipes, other countries which developed their infrastructure later than us used other substances such as copper and so

don't have such a big problem," an official said.

A report published last month by the UK Drinking Water Inspectorate showed that, although only 2.3 per cent of tap water samples last year contained more than 50 microgrammes of lead, 16.3 per cent exceeded 10 microgrammes.

Lead is a heavy metal which can cause nervous disorders if it builds up in the body in sufficient quantities.

Research published in April by epidemiologists at the University of Lancaster and two nearby hos-

pitals in north-west England found that high lead levels might also cause neural deformities in embryos.

The National Customer Council of Ofwat, the water industry regulator, said last year it would cost the water industry about £2bn (\$3.2bn) to replace its 7.2m supply pipes made of lead.

However, the Royal Commission on Environmental Pollution has estimated that, because most lead piping is in people's homes, it would cost £2bn for consumers to replace all domestic lead piping.

The environment department said the draft directive made no provision for European Union grants to help consumers replace domestic lead pipes.

"It's the consumer's responsibility, although families on low incomes can receive help from home improvement grants," it said.

The Water Research Council estimated in 1992 that, while about 8.9m properties still had lead piping, only about 1.5 per cent replaced lead pipes each year.

The Water Companies Association, which represents the water supply companies, admitted domestic lead piping was a "big issue" but said: "The responsibility of the water undertaker ends at the stopcock at the boundary of the property."

So tap water could fail to meet the revised limits even though the company which supplied it had replaced all its lead pipes.

The government has made it clear that domestic pipe replacement is the responsibility of consumers.

UK NEWS DIGEST

Union threats at bank and BT

Two of Britain's biggest employers - Barclays Bank and British Telecommunications - face industrial action next week. Two of Barclays' banking unions are discussing a joint overtime ban, while BT engineers in London will stage a one-day strike next Tuesday over the use of contract labour.

The Barclays dispute is over a new pay and grading structure which has already been imposed on staff. Unifi, with more than 30,000 members, and Bifu, with 7,000, said yesterday they would discuss the timing of a joint overtime ban after the bank turned down a request to go to Acas, the government-funded arbitration service. The unions claim that the new pay structure means that most staff will have their pay and pension frozen. Barclays says it rewards performance, rather than how long a member of staff has worked for the bank. The bank insists the new scheme does not constitute a pay freeze.

The BT strike will involve engineers working on phone repairs and installation. Members of the CWU communications union voted by 1,202 to 268 in favour of industrial action. It will be followed by further action, to be announced later. BT expressed disappointment that its engineers had felt the need to take industrial action. "We have been having talks on the issue of contractors - and are more than happy to keep the discussions open," it said. "Our concern will be to minimise the impact on our customers in London."

Andrew Bolger

THE ECONOMY

Higher interest rates expected

The expected level of UK interest rates nudged higher yesterday, despite figures from the Bank of England, the UK central bank, showing that the growth in the amount of cash circulating in the economy continued to slow last month. The value of notes and coins in circulation rose by 0.2 per cent in July after adjusting for seasonal patterns. This cut the annual rate of increase to a 20-month low of 5.6 per cent.

With the Bank's monetary policy committee due to begin its monthly deliberations tomorrow, interest rate expectations edged higher in the financial futures markets. Most economists expect the committee to raise rates by a quarter-point for the fourth successive month. This would take base rates to their highest level since the aftermath of sterling's departure from the European exchange rate mechanism in 1992. But there are a number of analysts predicting either no change or a rise of a half-point or more.

Robert Chote

CROP DAMAGE

Checks stepped up on beetles

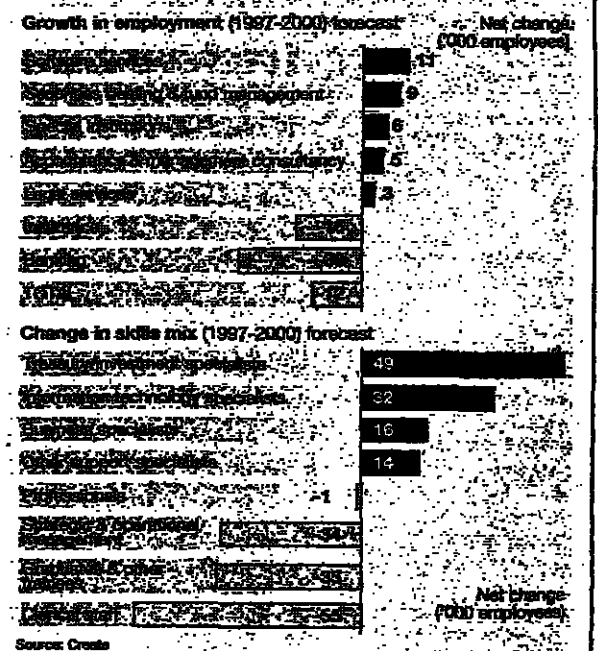
Government inspectors are stepping up checks on fresh produce arriving from Greece after hundreds of potentially devastating Colorado beetles were found in a truckload at the eastern England port of Harwich. The government yesterday notified the European Commission and warned the Greek authorities to ensure future consignments of vegetables exported to the UK are free of the pests. The beetles, about 1cm long with black and yellow stripes, can ruin crops of potatoes by stripping the plants of their leaves.

The truck was loaded at Piraeus and crossed Italy and France to Dover, from where it was driven round the M25 London orbital motorway to Harwich. It contained mixed provisions for a Greek cruise ship moored at Harwich. Colorado beetles, which reached France from the US in 1992, have spread across Europe but not settled in the UK. Republic of Ireland or Scandinavia. The last colony in the UK was found in 1976 and eradicated.

Adrian Maitland

JOBS GROWTH

Employment trends in the City



Finance sector flexibility urged

Britain's financial institutions must adopt a new form of flexibility if they are to cope with the employment changes sweeping their sector, says a report published yesterday. The report predicts that by the end of the decade, about 113,000 new jobs will be created for knowledge workers in areas such as treasury, investment and information technology, mainly in the City of London. But 125,000 clerical and managerial jobs will be spread across the country - mainly in banks, building societies (mutually owned savings and loans institutions) and insurance companies. The report says: "Involving 28 per cent of the workforce, a shift of this scale has no precedent in the sector. It reflects the profound culture change now in progress."

Based on a survey of 350 institutions, the report was produced by London Human Resources Group, an independent network of senior personnel professionals, and Focus Central London, Britain's largest Training and Enterprise Council.

Andrew Bolger

مركز من التجميل

Counting engineering patents gives a clearer idea of the value of research, says Peter Marsh

Patently clearer

Is there a link between technological expertise and commercial success? While most people developing new technical ideas would like to think the connection was strong, the evidence for a direct relationship has been open to dispute.

But help is at hand for the high-tech aficionados in companies who seek proof that their efforts are paying off in pushing up sales. It comes in the form of a 555-page report from the Ifo research institute based in Munich on the competitiveness of the European Union's mechanical engineering industry as against rival companies in the US and Japan.

The study, conducted for the European Commission, provides some of the hardest evidence yet that technological prowess in particular fields, provided it is correctly developed, can be a competitive advantage in the marketplace.

The main arguments concern the US, which over the past decade has steadily increased its share of world patents in key technologies linked to engineering, without pushing up significantly the money spent by its engineering industry on research.

The reward for this has been a jump in the US's share of world trade in mechanical engineering products over this period, as against a fall in the equivalent figure for the European Union and Japan.

Taking the average of world trade in these products for 1987-90 and 1991-94, the US's share increased over the two periods from 20 per cent to 21.2 per cent.

Over the same time, the EU's share declined from 44.7 per cent to 40.0 per cent, and the Japanese figures went down from 23.7 per cent to 22.2 per cent.

In the decade to 1994, real output in the US's mechanical engineering industry rose 35 per cent, as against a 9 per cent rise in the

EU and a decline of 5 per cent in Japan.

The report concludes that the US mechanical engineering industry "had by far the best performance" over the period.

What in technological terms lies behind this? The report's key message is that money alone is not the way to success.

The US is a miser when it comes to research and development spending in engineering. As a proportion of mechanical engineering turnover, it invests 70 per cent of the EU's research figure and just over half the equivalent amount spent in Japan.

What appears to count is the direction of the research effort - in particular in "upstream" technologies such as electronics and optics that can enhance the performance of machinery through new features that will appeal on world markets.

This is where the Ifo institute has broadened out the conventional debate on research - which normally hinges on R&D spending - to look not just at these figures but also patent statistics.

Counting the numbers of worldwide patents in specific fields related to engineering is, the authors argue, a better way

of assessing research quality because this measures "outputs" from research, rather than "inputs".

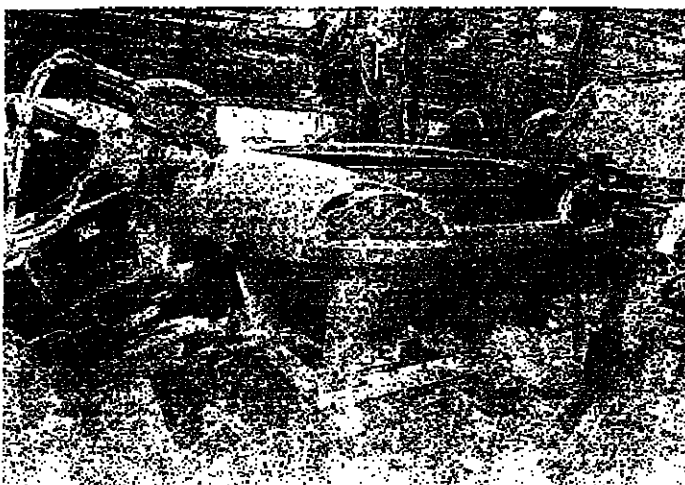
In its patents investigation, Ifo counted all mechanical engineering patents issued worldwide (rather than in just one country) between 1987 and 1994. The qualification meant patents not judged important enough to have global applications were sifted out of the search.

Rather than looking at just US patents, the institute also included those issued by Canada and Mexico, the other countries in the North American Free Trade Agreement. But since US research and development activity is far higher than that in the other two countries, the Nafta figures can be taken as a proxy for the US alone.

Between 1987-90 and 1991-94, the EU countries kept their proportion of world patents constant at 46 per cent. While Japan's share went down from 23 per cent to 19 per cent, the Nafta countries' share rose from 22 per cent to 26 per cent.

The US and the other Nafta nations made particular strides in key electronics-related technologies relevant to boosting the performance of machinery products.

According to Ifo, the US has



Number of important patent applications in different regions Per 100m production

Source: Epitex/Inpadoc; Ifo patent statistics

* Newly industrialising countries

done noticeably better than the EU in developing advanced technologies which create "advantages that make some of the mature technologies [solely related to mechanical products] obsolete".

For example, over the two, four-year periods, the US and the other Nafta nations pushed up patents in electronic components from 25 per cent of the world total to 31 per cent. Over the same period, the EU figure went down from 18 per cent to 17 per cent, as did the Japanese propor-

tion, from 52 per cent to 44 per cent.

In a further five areas of technology - electronics systems, new materials, lasers, instrumentation and optics - the US and the other Nafta nations increased their share of patenting in four of them. Over the same period the EU and Japan managed to increase their share in one field each, instrumentation and lasers respectively.

As for specific countries within Europe, the study's message is slightly less emphatic but still

tilts towards the notion that properly channelled high-tech expertise is likely to lead to rapid commercial pay-offs.

For example, the UK engineering industry scores particularly low marks in the report for innovation. Between 1987 and 1994, its share of total EU patents in technologies relevant to the mechanical engineering industry fell in 10 out of the 12 broad technology areas studied. The country's share in world trade in these products fell, meanwhile, over the period from 7.1 per cent to 5.9 per cent.

While Germany slightly increased its shares of world patents in relevant technologies over the period, its record on turning this expertise into higher sales was fairly patchy. Its share of world trade in mechanical engineering fell sharply, from 26.5 per cent in 1987 to 20.2 per cent in 1994.

The message appears to be that - although scoring highly in technology - Germany's mechanical engineering industry has had difficulty translating this into commercial successes perhaps through management weaknesses or problems related to the weak economy. Among the other big EU countries, France and Italy emulated Britain by reducing patenting activity, and also saw reductions in world trade shares.

For the next few years, the Ifo authors expect the EU to find it hard to narrow the gap with the US after its spurt in performance since the mid 1980s. With the US and to some degree Japan having "more innovative upstream industries" providing key technologies such as electronics, the EU companies face a "handicap... which will gain importance in the years to come."

Monitoring the evolution in the competitiveness of the EU mechanical engineering industry, Ifo Institute, Poschingerstrasse 5, D-81679 Munich. Fax 00 49 89 9224 1461

All clear for ink

Many office printers churn out endless pages which are mostly discarded. Soon, however, no page need be wasted thanks to a printing process based on re-printable paper.

Tiny dots of special ink encapsulated within ordinary paper are the key points in the new system. Their chameleon properties can be exploited again and again using heat or lasers. The result is paper that can be wiped clean and constantly re-printed.

"In our black and white printer, briefly raising the temperature turns the ink clear," explains Joseph Jacobson of the Media Laboratory at Massachusetts Institute of Technology. "It is then stable in that state at room temperature. To re-write that pixel, a lower temperature turns the ink black again, and that is also stable at room temperature."

For colour printing, three different-coloured inks are switched on and off using the light from three different-coloured lasers. The inks can be mixed together in each micro-bubble because each laser only activates its own ink. In monochrome, a single sheet could be re-used 100 times in a printer with the running costs of a fax machine. At laser printer prices, full 4,000-shade colour will appear on each page, which can be used 1,000 times.

The patented technology has already produced 300 dot-per-inch resolution but Jacobson believes 600 to 1,000 dpi to be possible. His work has been the subject of license enquiries.

According to Nicholas Negroponte, founder-director of the Media Laboratory: "Until now the intelligence of printing has been either in the printer such as in laser printers, or in the paper, such as in photography. Now the intelligence can be in the ink."

Damian Carrington

PM

The measure of strength

Which areas of mechanical engineering represent strengths and weaknesses for different countries? A report by Ifo, the Munich-based economic research institute, uses statistics on patents and world trade to come up with examples of specialist fields in which the European Union, the US and Japan have particular advantages.

The EU scores particularly highly in the area of food and packaging machines.

In 1994 it accounted for a remarkable 63.5 per cent of world trade in these systems, thanks mainly to German and Italian companies which between them

account for nearly half the world trade in the devices.

The EU also has a high showing in world patents for food machinery, accounting for 51 per cent of the total.

Another strength for the EU is in paper machinery. In 1994 the EU accounted for 53.6 per cent of world trade and 56 per cent of patents.

Although the EU's showing in taps and valves - another generally strong area - has slipped in the past decade, in

1994 it accounted for 46.7 per cent of trade and 49 per cent of patenting.

Like the EU, the US can claim leadership in three fields: engines and turbines, pumps and compressors, and taps and valves. In each field, it has shown higher scores over the past 10 years, as measured by proportion of world trade and patents, than would be expected by looking at the performance of the US mechanical engineering industry as a whole.

Thus in engines and turbines the US accounted for more than a quarter of world trade in 1994 - above the figure of 21.2 per cent for the whole of the mechanical engineering sector.

It had an even better "score" in patenting activity, accounting for more than a third of world patents in engines and turbines filed in several regions, compared with the average for US mechanical engineering in its entirety of about a quarter.

Japan, according to the Ifo report, has technological and trade strengths in three areas: transmission machinery such as bearings, machine tools, and textile manufacturing systems.

In all these fields it has world shares, in both patents and trade, of about a quarter or more.

Japan has three of the world's six biggest bearings companies: NSK, NTN and Koyo.

Thanks partly to their efforts, Japan pushed up its world trade in transmission systems from 30.2 per cent in 1987 to 37.8 per cent in 1994.

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Drewry heads British Council

For the first time, the British Council has opted for a scientist to be its new director-general - David Drewry, a 49-year-old geophysicist, who has headed the Natural Environment Research Council (NERC) since 1994.

The appointment also marks a return to the council's habit of choosing an outsider, after the tenure of Sir John Hanson who rose within the organisation to become director-general in 1992 and who retired next January.

Drewry's appointment to the £90,000-a-year job is undoubtedly aimed at giving a thoroughly modern image to British culture, which the council, an independent charity, promotes abroad at a yearly cost of £430m.

Yet, in some respects, his career seems more geared to penguins than people. Drewry's speciality is the Antarctic, where he first headed the Scott Polar Research Institute and then the British Antarctic Survey. "Obviously the British Council is not going to open offices at the South Pole," he said. "But the international dimension

of the Antarctic - in which some 25 countries from all continents co-operate - is something I intend to leverage with the British Council."

The other factor that may have put Drewry in pole position ahead of 311 other candidates for the council directorship is his recent work at NERC, which is the main funder of environmental research in the UK.

He said: "Our emphasis on a sustainable global environment is very much in tune with the priorities of the new government, especially the new Department for International Development. I intend to make the world more aware of what the UK can offer in terms of expertise and know-how in this area."

Drewry is familiar with criticism about the council's traditional role of teaching foreigners English and suggestions that the internet and international financial markets are doing more to promote English than the council's 1,450 language teachers ever can.

"One can't be complacent. One has to ensure these international developments work to Britain's advantage," he says. "Besides," he adds, with a rather British Council

sniffiness, "Internet English is only form of English."

David Buchan, London

Sumitomo promotes its local talent

Sumitomo Bank has broken new ground by appointing a European to head its Asian corporate banking department in London.

Matthew Grayson, a fluent Japanese speaker, will be responsible for the bank's relations with Japanese and Asian clients in Europe, the Middle East and Africa.

Grayson will be the first British banker in this role for Sumitomo, and is believed to be the first to hold this kind of position in any Japanese bank. Sumitomo said the appointment reflected its drive to localise responsibilities in its overseas offices, as well as the internationalisation of its whole organisation.

Grayson, 35, worked for two years with a Japanese manufacturing company. He then spent eight years at National Westminster Bank, based in both London and Tokyo, working on structured finance and credit analysis. He has been with Sumitomo

Bank for the last 18 months.
George Graham, London

Damiani joins service industry

Vincenzo Damiani, who has spent most of his career in the computer hardware business, is joining the computer service industry.

Damiani, formerly president of Digital's European operations, has joined Electronic Data Systems, the computer services company, as a member of the Europe, Middle East and Africa (EMEA) executive board with responsibility for the Italian and Swiss business units.

He will also co-ordinate the EMEA business development, marketing strategy, public affairs and corporate communications functions. EDS is traded on the London and New York stock exchanges.

Lisa Wood, London

Togo leads Nippon Credit

Shigeoki Togo, 53, will become the youngest head of a leading Japanese bank when he assumes the presidency of Nippon Credit Bank

later this month. Togo also ranks as the fastest rising executive in Japan's commercial banking industry. A former executive of the Bank of Japan, he headed the central bank's international division before joining NCB last year to help develop a restructuring plan for the troubled bank. He became vice-president in June.

NCB is one of Japan's three long-term credit banks and incurred big losses in the last business year on write-offs of massive bad loans.

Togo will replace Hiroshi Kubota, the current president, who will become the bank's chairman. Kubota is a former bureaucrat and headed the finance ministry's powerful taxation bureau before joining NCB.

Togo and Kubota engineered a successful ¥300bn recapitalisation plan which was launched in April and completed in July, as well as a business tie-up with Bankers Trust. Togo said he and Kubota would press ahead with reconstruction efforts, but acknowledged there was still a long way to go to restore NCB's creditworthiness in the eyes of domestic and international investors and customers.
Gwen Robinson, Tokyo

ON THE MOVE

■ RAND MERCHANT BANK, the South African merchant bank has established a UK subsidiary, RMB International, which will conduct its corporate finance business in the UK. Nicholas Banesky, who has recently been appointed to run RMB's representative office, will have overall responsibility for the operation.

■ Bart Schwartz, president of Decision Strategies International, has been appointed chairman of the newly created, five member NEW YORK CITY GAMBLING CONTROL COMMISSION for a non-salaried term of two years. Schwartz will oversee the commission which is authorized to license and regulate businesses that engage in shipboard gambling on vessels that depart from New York City.

■ CMG, the European IT services group, has appointed Wilko Börner, 59, as a non-executive director. Prior to his retirement in 1995, he was chief executive of the Volksfürsorge group, a German insurance group. ■ COOPERS & LYBRAND L P has appointed Samuel

DiPiazza as client service vice-chairman for the tax line of business. Rocco Magglio to succeed him as client service vice-chairman and managing partner for the firm's New York offices. DiPiazza succeeds Alan LeBovidge who has become partner in charge of the firm's national tax practice in Washington. ■ NATWEST MARKETS has appointed Deborah Bronston, as managing director and director of research, US equities. Prior to joining NatWest Markets, Bronston was with Prudential Securities for 14 years.

■ Daniel O'Brien has been named vice-president and treasurer for GTE CORPORATION. He is responsible for GTE's worldwide treasury operations. O'Brien, who joined GTE in 1983, has been assistant treasurer - capital markets since October 1995. GTE also announced senior staff for its new consolidated world headquarters, finance and planning. Dan Cohrs, 44, who joined GTE in 1983 and most recently served as vice-president and treasurer becomes vice-president and chief planning & development officer. William

Edwards, 49, has been appointed vice-president and controller. ■ SALOMON BROTHERS Asia Pacific, have announced the appointment of Wing Fai Ng as director, financial institutions, Asia Pacific Investment Banking, effective August. Prior to this appointment Ng worked at SBC Warburg. ■ Richard Glasspool has moved from Bulgaria to KPMG Moscow, where he has been appointed partner in charge of the firm's management consulting practice in Russia. Bill Drysdale, until recently managing partner of KPMG Poland, has succeeded Glasspool as managing partner of KPMG Bulgaria.

■ NRG ENERGY has elected Brian Bird to the position of corporate treasurer. NRG is among the world's leading independent power producers. Bird previously worked for Deluxe Corporation. ■ FLUOR DANIEL has appointed Rein Kutsch Lojenga president, Europe and Central Asia. Kutsch Lojenga, who joined Fluor Daniel in 1972, will replace Carol Smeets who earlier announced his retirement, effective October 31.

■ BRUNSWICK CORPORATION has announced that Roger Patterson has been named president of its US Marine division. Patterson replaces Robert Steinway. ■ Alistair Nicholson has been appointed managing director of ORD MINETT New Zealand. He takes up the position left vacant since Robert Morrison was named Bankers Trust NZ chief executive. Nicholson comes from Lehman Brothers in Hong Kong. ■ SEAGATE TECHNOLOGY a manufacturer of information storage, access and management products has promoted Michael Huntley to senior vice-president, Worldwide Disc Drive Sales. Huntley, formerly senior vice-president and general manager of Seagate Tape Operations in Costa Mesa, California, will be based in Scotts Valley, California. ■ GENNUM CORPORATION has promoted Ian McWalter to executive vice-president and chief operating officer. At Gennum, McWalter has been responsible for research and development and for manufacturing operations. ■ JCL, a South African

diversified mining company, has appointed Brett Kibble as an executive director. Kibble is currently an executive director of gold producer Randgold & Exploration. ■ INSURER GIO HOLDINGS has appointed Stanley Howard as chairman. The appointment of Howard, who is chairman of a number of other listed companies, followed the death of John Liffie on May 24. ■ COASTAL has appointed David Ariege as chairman to succeed 73-year old Oscar Wyatt, the founder of the company. Ariege has been chief financial officer of Coastal since October 1995 and its president since March 1994. ■ NORWEST CORPORATION has appointed financial services consultant and executive Anat Bird to the new position of senior vice-president, strategic initiatives. She joins from the Roosevelt Financial Group, recently acquired by Mercantile Bancorporation. ■ CARLISLE COMPANIES has announced that Kern Scott, currently serving as president and chief executive of Carlisle SynTec, has been appointed

president, Carlisle Europe. ■ LEAR CORPORATION has promoted Eric Kozlowski, Dennis Kudej, Miguel Herrera-Lasso and Joe Zimmer to vice-presidents of the company's GM division. ■ KPMG MANAGEMENT CONSULTING has appointed three directors to head its new global supply chain unit. Gary McIlraith becomes head of supply chain, Europe. He was previously a partner in charge of the supply chain practice in the UK. Robert Hutchinson becomes head of supply chain, Americas, and global supply chain practice leader. Amanda McMullan, a partner and director in charge of the logistics and business operations practice of KPMG Management Consulting in Australia, becomes head of supply chain, Asia-Pacific.

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CROYDON

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Rain stops play in Avignon

But the inclement weather did not ruin the entertainment at the festival, writes Andrew Jack

Two of the principal differences between the Avignon Festival and its Edinburgh equivalent faded away this year: the hot summer weather, and the dominance of French culture.

For almost the first time in its history, rain – combined with the cold Mistral wind – came temporarily to the provincial city – leaving spectators unexpectedly underwhelmed by the number of open-air venues which suffered cancellations and delays.

That said, there were still plenty of opportunities to enjoy the normal delights of sitting outside, with historic buildings such as the Palais des Papes for a backdrop for selected "in" pieces and only the clear night sky for a roof.

In the case of *Landscapes after the battle*, a piece of contemporary dance by the Albanian choreographer Angelina Prejocaj, the rain provided some extra amusement as the performance was stopped for 25 minutes while three of the staff, armed with brooms, formed an

unanticipated ballet brushing the stage dry.

It also added a good deal of dramatic tension, as we had sat at the start staring for a long period at three distinctly immobile chairs, the only movement coming from a backdrop of luminescent pink shag-pile carpet and some outrageously kitsch leopard-skin curtains flapping in the wind.

The piece finally got off to a striking beginning as men and women paired off, leaving one man isolated and drifting sadly off the scene. The initial rapturous dancing of the remaining couples changed abruptly as the tension mounted.

Three of the women turned to limp corpses and were tossed back and forth by their partners like rag dolls. The energy and originality of the piece was also evident in

another scene, in which six men – switching between three chairs arranged in a triangle – perpetually changed position, leaping over each other and sitting on each others' laps.

Elsewhere, the work – apparently inspired by an imagined meeting between Joseph Conrad and Marcel Duchamp – contained several surreal moments, not least the stripping gorillas who revealed stark naked men beneath.

These men lay down passively to be "raped" by a woman, as another laboured away on a power drill behind them, sending huge orange sparks flying across the scene.

The clear homo-erotic references, the fact that the male dancers received most of the main parts, and the visible lack

of compassion between men and women during the piece certainly made a change from much conventional ballet.

But there was a lack of overall coherence, and some extracts lacked either music or dance, making the choreographer's intentions difficult to digest or simply incomprehensible.

Prejocaj was only one example of the growing role of foreign directors, writers and actors at Avignon. This year, this was characterised above all by the presence of more than 200 Russians presenting a wide variety of events, each sponsored by Russian companies and institutions.

Next year, the international theme will switch to focus on south east Asia.

The growing international perspective of the Avignon festival was also evident in the

choice of one of the centre-piece plays in the Palais des Papes, *Nathan the Sage*, by the rarely performed 18th-century German playwright Gotthold Lessing.

The play, set in Jerusalem, is an extraordinary tale of growing tolerance between Jew, Christian and Moslem – simply but beautifully represented on stage here by three simple interlocking scaffolds shaped into appropriate skyline outlines of minarets, towers and spires.

It contained some memorable lines in the French translation, not least the reproach by the Crusader Knight drawn into friendship with Nathan the Jew: "let time, not curiosity, form the basis on which you know me".

Even one of Avignon's more long-standing spectacles,

Zingaro, a cross between dance and circus, with horses at its centre, had turned well beyond the "hexagon" of France for the inspiration of its third show: *Eclipse*, was an exploration of Korean culture – although the links did seem, at times, a bit contrived.

The bright full moon outside was mirrored by a huge illuminated circular drum to one side of the ring, and the wailing wind around the hangar in which the performance was staged added to the sense of drama within.

In a superb opening scene, a hand emerged from the darkness as snowflakes fell. Gradually a hunched body unwrapped itself and stretched, before walking off-stage, dragging a vast black cloak the size of the arena with it. Elsewhere, the troupe's

impressive horses galloped around as a dancer swathed in black, and later white, swirled cloaks in an infinite variety of patterns. The international performers, hooded and cloaked, only revealed their true skin colour and gender as they disrobed at the end.

After a while, some of the acts began to seem a little similar, although the biggest disappointment was the director himself, Bartabas, who showed little of his skills as a horseman but periodically rode arrogantly on to the scene to preside over his team.

You wouldn't have thought it necessary to announce at the start that smoking and cameras were forbidden. The one warning not provided – that portable phones should be switched off – was a sad omission, given that at least one rang during the show. The shameless owner responded and began a conversation.

That remains, one hopes, a difference not yet matched in Edinburgh.

Aspen Festival

More than a talent to amuse

The Aspen Music Festival is very quick off the mark. Last year, it offered the world stage-premiere of Michael Torke's recent television opera for Channel 4, *King of Hearts*. Now it has given the first American staging of *Powder Her Face*, the Thomas Adès succès de scandale from the 1995 Cheltenham and Almeida Festivals.

Truth to tell, it ran no risk of scandalising its wider audience (median age 57 – and its younger members come mostly from the concomitant music summer school). That is the devoted audience for concerts in the big Music Tent, which holds some 1700 people and accommodates many more on the lawns outside. The excellent new Harris Concert Hall draws 500-strong audiences for chamber music. By contrast, the little Wheeler Opera House (1886) rarely seems to be quite full – at least for contemporary operas.

There was – and still is – much to hear at Aspen, and naturally to see too, but I had time for only a fraction of it. A solid, earnest performance of Mahler's Ninth under the festival's new music director David Zinman, by the Aspen Festival Orchestra (the section leaders are top professionals, the rest Aspen music school students, for whom playing the Ninth must have been a tremendous experience); a taut, highly nuanced account by the Takács Quartet of Schubert's *Death and the Maiden*.

Also the first half of all Beethoven's works for cello, played by the cool, civilised cellist of the Emerson Quartet, David Finckel. I was surprised that he put up so meekly with the explosive bass octaves of his extrovert pianist Wu Han, but later all was revealed: they are married to each other.

For *Powder Her Face*, as with Torke's piece, Aspen persuaded the composer himself to come and conduct. Adès had not conducted the original staging of his opera, so the Aspen performances held a special interest. Besides, muzzy acoustics at Cheltenham had swallowed up most of the words (I missed the Almeida transfer, apparently far more audible); at Aspen they were superlatively clear, and enhanced by surtitles.

Powder Her Face is an amusing but unpleasant squib by Philip Hensher on the career of the late Margaret, Duchess of Argyll, set



Excellent: Máire O'Brien as the Duchess in Thomas Adès' opera 'Powder Her Face'

with inexhaustibly bright invention by Adès. The music glitters, swoons, gasps and snarls; tangos, Cole Porter, freezes. Yet on repeated hearings, the score reveals a unified basis, almost "simple". Adès marries tone-row technique and intricate rhythmic play with his zest for period-pop, and generates dazzling results.

The "scandalous" bit finds the Duchess humming a sort of aria (singing would be unfeasible) whilst pleasuring a hotel waiter in her room. Each night, a few people scuttled out after the first act; but others adored the mistress's winsome plea

to her Duke. "Is Daddy too squiffy for jumpies?" and kept repeating it to each other during the interval.

The four singers, all new young professionals, were brave and effective. As the Duchess, the excellent Dublin soprano Máire O'Brien inevitably lacked the mature poignancy of Jill Gomez's original, but emanated unfailing poise. Afterwards, someone complained "She didn't deserve it!" – precisely identifying the flaw in the piece: it breaks this foolish butterfly on a wheel relentlessly, and with hateful glee.

The other three switches, deftly between their multiple roles, equal

to nearly all their strenuous demands. Adès conducted Aspen's own Contemporary Ensemble (though they had to import a virtuoso accordionist from Canada) with panache and brio. Edward Berkeley's expert production, rather more lavish than the original one, was sympathetically attentive to character. Like it or loathe it, or quite likely both, *Powder Her Face* reveals far more than a talent to amuse.

David Murray

The Aspen Festival continues until August 17.

Ballet/Clement Crisp

The Kirov pays homage to Fokine

Ballets die at curtain fall. A play, an opera has a text set on a page, which is the creator's intention. With ballet there is, now, notation and video record, but the past has come to us through an apostolic transmission from ballet-master to dancer, from artists of one generation to their successors. And, as with the whispering game we played as children where a simple message is giggled and garbled, the *Ur-text* is traduced. Faulty memory, caprice, altered physique and training, have created a chain-reaction of variants and misrepresentation. What we are shown nowadays as a traditional repertoire is, too often, the equivalent of over-painting, murky varnish, and trimming of the canvas. After only a decade, a ballet's identity can be sadly mutated.

What has to be saved is not just a decent choreographic outline. There is that vital and evanescent matter of "style", which I think is more important than minutiae of step. Without style, the ballet is dead anyway. All of which serves to introduce Thursday's Kirov programme at the Coliseum, the first of two evenings devoted to the ballets of Mikhail Fokine.

Fokine's creations marked the first development in classic ballet as our century began: for Diaghilev he produced the stagings which launched the Ballet Russe and changed the nature of dramatic expression in dance. Since then, they have been staged and re-staged, honoured and maltreated. *Firebird* and *Petrushka* have endured well. Others have undergone the sea-change implicit in altered physique and different artistic ideals: who can now bring anything to a Nijinsky role? Is any ballerina able to suggest Karsavina's grace and intelligence on stage?

What the Kirov offers in Fokine's larger pieces is a continuity of style, of belief. Kirov dancers know what

these ballets are about as part of their culture. So their version of *The Firebird* (given in the beautiful original design by Golovin) is excellent in its energy and innocence – those vital elements of fairy tales. The text is like that supervised by Serge Grigoriev (Diaghilev's regisseur and memory) and Tamara Karsavina (the first *Firebird*), which was mounted for the Royal Ballet in 1954 and has been happily preserved on film.

The Kirov's dancers delight in it, and Irma Nioradze was a magical bird, with a huge jump and a commanding manner. ("I want the beat of mighty wings" said Fokine to Karsavina: Nioradze gives us this). This is a real *Firebird*, and it is wonderful.

The Polovtsian Dances from *Prince Igor* are even more clearly, part of the Kirov inheritance since the opera is one of the treasures of the Mariinsky repertoire. Whatever the textual differences, the company dance the scene with all the conviction in the world. The set is splendid (it is not the Roerich design Diaghilev commissioned, but has an historical air which is most convincing: how good to see properly painted back-cloths with the Kirov) and the costumes are joyfully barbaric. The dancing has enough unbridled force to make us believe, and Alexander Titov's orchestral tempi drove it along at a cracking pace. Only Russians can bring off such rampagings: western troupes never rise above a tennis club dance that has got a bit out of hand.

About *Le Spectre de la Rose* there are rather more problems. The Kirov designs are said to be based on Bakst originals, but little is right. The Rose-spirit wears long-johns the colour of a raspberry sorbet; the Girl is in gauze. The set lacks any of the detail that Bakst wanted – moments before the first-

night curtain in 1911 he was trying to find a spot to put a small bird-cage! Farukh Ruzimatov has the thankless task of playing a role made for Nijinsky. He does well to catch something of the Spirit's mystery. Diana Vishneva is a beautiful dancer, but she misses the ecstatic simplicity of the Girl. Karsavina, in old age, once mimed the moment when the Girl holds the rose to her face – the years fell away, and she became for a miraculous second the divinity who created the part. No-one has ever been more entranced or more lovely.

And *The Dying Swan*. Every ballerina worth her salt – and a legion not worth a pinch of it – has a version of Fokine and Pavlova's swan. Each has varied in step and feeling from heroic to mournful. (Morkova was taught the role by Fokine; her interpretation is the most convincing I know.) On Thursday, Yuliana Lopatkina showed us the traditional Kirov text, and very beautifully. Her line, drawn with so sure and inspired a hand, is wonderful. Fokine's swan? Perhaps, Lopatkina? Yes. And admirable.

I record, with great pleasure, two cast changes in the week's performances of *The Fountain of Bakhchisaray*. Lopatkina was a sinuous, tragic Zarema: she is an artist of vast potential. Irina Zhelonkina was touching, both in grace and feeling; as Maria, her dancing having that gentleness of feeling and a zest of Polish aristocracy that made the role live. And I note that Nikolay Zubkovsky – a vivid, dashing Nurali in this same ballet – is the fourth generation of a dance family at the Kirov. His grandmother is Inna Zubkovskaya, a ravishing ballerina in the Kirov's first visit to London in 1951, and young Zubkovsky is sustaining his family's tradition in the best manner.

The Kirov Ballet continues at the Coliseum, London WC2 until August 9.

INTERNATIONAL ARTS GUIDE

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DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Orfeo: Swedish premiere of Luigi Rossi's 1647 version of the legend of Orpheus. The producer is Jack Edwards, the musical directors Stephen Stubbs and Paul O'Dette, the designer Robin

Linklater and the choreographer Lucy Graham. With the Drottningholm Theatre Ballet and Orchestra; Aug 5, 7, 9

EDINBURGH

EXHIBITIONS
Royal Scottish Academy
Tel: 44-171-624 6200
Sir Henry Raeburn (1756-1823): major exhibition of around seventy works by this most famous of Scottish painters, bringing together the works owned by the National Gallery with loans from around the world; to Oct 5

LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● BBC Scottish Symphony Orchestra: conducted by Martyn Brabbins in works by Bartók, Strauss and Mahler. With soprano Inger Dam-Jensen; Aug 7
● Boumemouth Symphony Orchestra: conducted by Yakov Kreizberg in works by Mozart, Korngold, Markovitch and Stravinsky. With violin soloist Gil Shaham; Aug 5
● Evgeny Kissin: the Russian pianist gives a solo recital – a Proms innovation – of works by Haydn, Liszt and Chopin; Aug 10
● Georgian Folk Songs: performed by the all-male Rustavi Choir, conducted by Anzor Erkomaishvili; Aug 8
● Jiri Bělohlávek conducts the BBC Symphony Orchestra in works by Bartók, Luciano Berio, Schubert and Dvořák. With

mezzo-soprano Michelle DeYoung; Aug 8
● Sir Colin Davis conducts the National Youth Orchestra of Great Britain in works by Sir Michael Tippett, Vaughan Williams and Sibelius; Aug 9
● Trevor Pinnock conducts the English Concert and Choir in works by Bach; Aug 6

DANCE

London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Fokine Programme 2: *Les Sylphides*, *Schéherazade* and *The Firebird*, seen here together in 1995, provide the finale to the month-long season; casts vary; Aug 7, 8, 9
● Romeo and Juliet: presented in the original version by Leonid Lavrovsky, set to Prokofiev's score; casts vary; Aug 5, 6

PESARO

Rossini Opera Festival
Tel: 39-721-33184
CONCERTS
Latvian Philharmonic Chamber Orchestra: in works by Mozart, Rossini and Calkovskij; with piano soloist Massimo Lambertini; Aug 8
OPERA
● Il Signor Bruschino: directed by Roberto de Simone. With the Orchestre de Tuscany conducted by Corrado Rovaris; at the Auditorium Padrotti; Aug 10
● Mofse at Pharaoh: presented in the version he adapted for the Paris Opera in 1827, Rossini's opera – created as Moses in

Egypt in 1818 – is staged by Graham Vick. With the Orchestra of the Teatro Comunale di Bologna, conducted by Vladimir Jurowski; at the Palafranceschi; Aug 9

SALZBURG

Salzburg Festival
Tel: 43-662-844501
CONCERTS
● Ensemble Modern: conducted by Hans Zender in a programme including works by Esai; at the Mozarteum; Aug 6
● Klangforum Wien: conducted by Johannes Kalitzke in a programme including works by Esai; at the Mozarteum; Aug 7

OPERA

● Die Zauberflöte: by Mozart. Christoph von Dohnányi conducts a new production by Achim Freyer. With the Vienna Philharmonic and the Konzertvereinigung Wiener Staatsopernchor; at the Felsenreitschule; Aug 6, 8, 10
● Le Grand Macabre: by Ligeti. New production conducted by Esa-Pekka Salonen and directed by Peter Sellars. Cast includes Willard White. With the Philharmonia Orchestra and the Konzertvereinigung Wiener Staatsopernchor. Co-production with the Théâtre du Châtelet; at the Grosses Festspielhaus; Aug 5

THEATRE

● Der Alpenkönig und der Menschenfeind: by Ferdinand Raimund. Revival of Peter Stein's production, with sets by Ferdinand Wögerbauer. With

music by Wenzel Müller; at the Landestheater; Aug 7, 9, 10
● Libussa: by Franz Grillparzer. New production directed by Peter Stein, with sets by Moidele Bickel. Libussa is played by Dörte Lyssowski; at the Perner-Insel; Aug 5, 6, 7, 9, 10

SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-966 5900
● Arabella: Janice Watson sings the title role of Strauss's opera, in a new production directed by John Cox. The conductor is John Crosby; Aug 6
● Ashoka's Dream: world premiere of Peter Lieberman's opera, with a libretto by Douglas Penick. Conducted by Richard Bradshaw, in a production directed by Stephen Wadsworth; Aug 8
● Così Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwegli; Aug 5

SCHLESWIG-HOLSTEIN

CONCERTS
Music Festival
Tel: 49-431-567080
● Philharmonie der Nationen: conducted by Justus Frantz in works by Rossini, Mendelssohn, Respighi and Verdi; at the Rinderalstall, Haseldorf on Aug 5; at the Schloss, Kiel on Aug 6; at the Musik- und Kongresshalle,

Lübeck on Aug 7
● Taverner Consort & Players: conducted by Andrew Parrott in a programme including works by Bach; at St. Marien-Kirche, Lübeck on Aug 4 and at St. Michaelis Kirche, Hamburg on Aug 5

TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-831 2000
● Boston Symphony Orchestra: and Tanglewood Music Center Orchestra conducted by Seiji Ozawa. Leon Fleisher, Keith Lockhart and John Williams in a programme which includes Tchaikovsky's 1812 overture; the Shost; Aug 5
● Clarinet player Richard Stoltzman and pianist Lukas Foss: perform works by Gershwin, Copland, Ives and Foss; Ozawa Hall; Aug 7
● Juillard String Quartet: in works by Mendelssohn, Copland and Schubert; Ozawa Hall; Aug 6

VERONA

OPERA
Arena di Verona
Tel: 39-45-800 5151
● Aida: by Verdi. Conducted by Nello Santi in a staging by Gianfranco de Bosio, revived by Susy Attendoli. Casts vary; on Aug 1, 10 & 15 Maria Guleghina sings the title role
● Carmen: by Bizet. Conducted by David Gimenez, in a staging by Franco Zeffirelli; Aug 7

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Andrew Jack and Michela Wrong look at France's changing policy towards the continent

Out of Africa

Mr Alain Richard, France's defence minister, calls it the start of a new era in his country's Africa policy.

Though the full details are unlikely to be released until this autumn, he confirmed yesterday that the number of his country's troops - currently 8,100 - will be cut by at least one quarter, and one if not both of its bases in the Central African Republic will be closed.

France, he added, would increasingly co-operate with other countries in the continent, using joint peace-keeping missions with the aim of "stabilising" areas "indispensable for social and economic development", but no longer arbitrating between rival forces.

These actions are perhaps the clearest indications among many that France is changing its attitude to its former colonies. The new Socialist government, for example, has also downgraded its "co-operation" department to the level of a junior ministry, and it has abolished the post of minister for "francophonie" - or French cultural promotion.

"It is difficult to know the pace, but in many ways we are at the beginning of a turning point," says Mr Dominique Mial, deputy director of CERL, the French centre for international studies and research.

What is behind the change? The apparent transformation in French policy towards Africa has been brought about in part by the changing political regime in France itself, triggered by the surprise victory of Mr Lionel Jospin's Socialist party at the start of June.

While the French Socialists may not have undergone such a fundamental ideological change as Britain's Labour party over the past few years, its new cabinet ministers belong to a different generation from their leftwing predecessors led by the late François Mitterrand.

During the election campaign, Mr Jospin pledged to change the party's Africa policy, which critics claim

had barely changed since colonial times. France's agreements on both defence and economic and cultural affairs, Mr Jospin suggested, were out-dated.

At the end of last month, Mr Pierre Mauroy, the former Socialist prime minister, reinforced the message with a speech in Libreville denouncing "execrable politicians who do not respect democracy" and arguing for "the necessity to revisit and adapt former and traditional French policy" in the region.

That approach stands in contrast to a more paternalistic approach in the past, characterised by the "networks of influence" dominated by Jacques Foccart, France's "monsieur l'Afrique", who died in March, but whose behind-the-scenes service to Gaullist presidents lived on long after the independence of French-speaking countries on the continent since the 1960s.

For many commentators, the approach varied little during François Mitterrand's presidency in 1981-95, despite periodic outbursts about the need to encourage the development of democracy and human rights. Mitterrand even appointed as his Africa adviser his own son, Jean-Christophe, who appeared to co-operate closely with leading Gaullist figures includ-

ing Mr Charles Pasqua, the former interior minister.

In the past French policy in Africa altered little with the changing political complexion in Paris. Now, however, much of the political spectrum realises the need for change.

For one diplomatic observer, Mr Richard's statements were the logical outcome of a process already set in motion by President Jacques Chirac last year when he announced the abolition of national service in France and the creation in its place of a smaller, professional army. Personnel reductions and funding cuts were the inevitable outcome.

"It was something [the former centre-right prime minister] Alain Juppé wanted to do but he was shouted down by Chirac and Godfrain [the co-operation minister]," he says. "Alain Richard is doing what the Gaullists wanted to do anyway."

For others, the evolution began even before, under the previous Gaullist prime minister, Mr Edouard Balladur. They think that he began to dilute the traditional French attitude of Africa as its reserved "hunting ground" for political influence, in favour of a stronger emphasis on economic ties - which favoured a greater concentration on relations with the

EU and the emerging markets of Asia.

France may also be shifting its position in line with the changing currents of external influence in Africa itself. Certainly Mr Gérard Prunier, an outspoken critic of French Africa policy, argues that the US has already taken over from France as the leading trade partner even in some francophone African countries, while anglophone South Africa - far less within the French sphere of influence - has become the real motor for development in southern Africa.

Equally important to the changing French role has been the increasing hostility by the Africans themselves to their former colonial masters' interference. Mr Jean-François Bayart, director of CERL, said in a recent interview that Africa is less the sick man of France than "France is the sick man of Africa".

French policy has been discredited by its association with a number of corrupt regimes, including its unwavering support of Zaire's former president Mobutu Sese Seko, who was forced out of office in May. Its role in Zaire and Rwanda have come under frequent attack by international aid agencies and regional governments. And numerous allegations related to the activities of Elf, the petroleum giant, in the continent, have added to anti-French feeling elsewhere.

"We should be philosophical," says Mr Prunier. "Our problem is that we do not know how to age gracefully. We have been making a fool of ourselves for years. We are now just beginning to show some good sense."

Others argue that it is still too early to tell whether the policies adopted by France's new Socialist party will match its rhetoric. It is also unclear how far Mr Jospin will be left unfettered by Mr Chirac, who has been already shown his determination to maintain a grip on foreign policy.



Beating a retreat: France is to cut its troops in Africa

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Legal right to interest on debts a poor weapon for small companies

From Mr John Mountain.

Sir, The right to claim interest on late payment of commercial debt will hardly help small businesses. Indeed, debtors will feel authorised to pay the interest and not the debt. A small trader waiting for £10,000 will hardly be thrilled by the prospect of claiming interest if, by then, he is out of business. Lord Alexander of Weedon (Letters, August 1) seems somewhat naive considering his position.

John Mountain, Mountaine Racing, The Causeway Industrial Units, Malden, Essex, UK

From Mr A.W. Buncher.

Sir, Lord Alexander is perfectly correct in his comments and I support them. However, he does miss one vital point which is very apposite to a small- or medium-sized enterprise. If the debt is owed by a much larger organisation, government department, local authority, etc, the sanction of interest would work only once, after which the SME would never receive another order from that source.

You learn very quickly not to upset or rock the boat with large organisations because it is very bad for the order book. As stated, I fully

support the move but doubt very much that it will be used as a weapon by a small company against a large organisation.

A.W. Buncher, financial director, Alarm Call, Barnstaple, Devon, UK

From Mr M. Higham.

Sir, Lord Alexander of Weedon was absolutely correct to identify late payments of debts as a key issue for small- and medium-sized business, and I applaud the government for taking some long overdue action. However, I would be in

favour of the introduction of a compulsory company purchase card, similar to a credit card which would guarantee payment to the vendor by automatic bank transfer, direct into that account on the agreed date. Perhaps the high street banks - such as NatWest - could investigate this possibility as a way of eliminating slow payers completely?

Mike Higham, Tapes for Industry, Kenneth House, Less Road, Knowsley Industrial Park North, Kirkby, Merseyside L35 7BB, UK

Graduate tax a fairer course than loans for funding UK higher education

From Mr John Murray.

Sir, Am I alone in finding Sir Ron Dearing's proposals on funding for higher education and the government's response to them deeply depressing ("Free university tuition to end with £1,000-a-year fees", July 31)?

In my late father's day, university education was the preserve of the wealthiest, but not always the brightest, in society. I was fortunate enough to be educated at a time when funding enabled the reasonably able to go to university regardless of parental means.

Subsequently, the call went out for university access to be widened and numbers have increased threefold but at the expense of sometimes dubious academic standards and a steadily increasing financial burden on students and/or their parents.

The danger in all this is that we might once again exclude some of the best students for fear of the debts they will accumulate during their time at university.

The current review provides an opportunity to dispense with the piecemeal approach of recent years and put funding for higher education on a solid, sustainable and inclusive footing. The only fair solution which also meets the interests of society must be through taxation, but a tax impinging on graduates only and a tax extending to existing graduates, maybe at a lower level, to help accommodate what would otherwise be insupportable start-up costs.

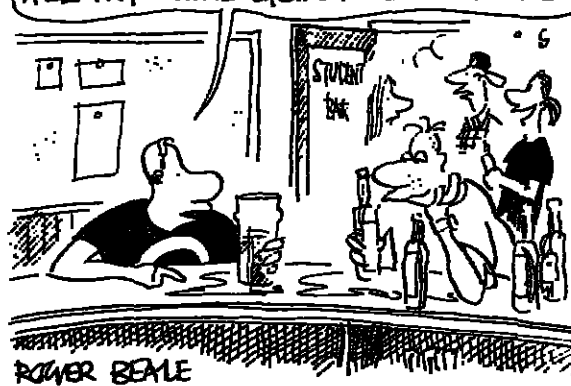
As a concomitant, however, greater care will be needed in striking the right balance between expensive degree level and other, maybe more vocational, forms of higher education. For example, in the mid-1970s it was still possible to study for the Bar without having previously graduated.

John Murray, 19 Cambridge Street, Tunbridge Wells, Kent TN2 4SJ, UK

From Mr R.J. Bird.

Sir, The object of higher education ought to be to pro-

duce graduates who are well educated, thus benefiting themselves and the nation. The present aim, however, seems to be to turn higher education into a business.



duce graduates who are well educated, thus benefiting themselves and the nation. The present aim, however, seems to be to turn higher education into a business.

The proposals for financing higher education fees out of means-tested loans are wrong and possibly illegal. If parents accept, yet again, the financial penalties of their moral obligations, an able student will get financial support. If they do not then that student will be deprived of education. There can be no legal obligation to offer such support and it is probably illegal to mean-test an adult on the basis of the income of another with whom they have no financial agreement. In addition, to deprive children of the less well-off of the maintenance grant as proposed will work directly against equality of opportunity.

Who should pay for education? Those who benefit - the graduate and the nation. This implies a state contribution on the basis of the ability of a prospective student to benefit from higher education and on that basis alone. Any remainder should be borne by the student on the basis of graduate taxes as in other countries.

The result of the present proposals, if enacted, will be to deprive the nation of well-educated graduates.

R.J. Bird, 50 Highbury, Jesmond, Newcastle upon Tyne, NE2 3EA, UK

From Mr Richard Ross.

Sir, Your summary of the much awaited Dearing report refers to the need to impose tuition fees on students, to accommodate increasing numbers in the coming years.

It may be possible materially to reduce the cost of a university education, without any reduction in standards, if the normal three-year course were to be reduced to two years. Each term normally contains about seven months of academic term work and about five months of holiday, the ratio being 50/50 at Oxbridge. Many students admit that they do little work in their first year, not a lot in their second year and only really get down to serious study in their third and final year.

In these circumstances, why can't the holiday periods be reduced and the amount of work output expected from students in their first two years materially increased? Even if students had to take out loans, these would then be that much smaller and more easily managed. In theory, it should then be possible to increase student numbers by one third, without any corresponding increase in capital costs.

Richard Ross, chairman, The Regentmead Group, Russell House, 140 High Street, Edgware, Middx, UK

Risk should be hedged

From Mr Eileen M. Debold.

Sir, It is hard to believe that a multinational corporation in today's globally competitive environment has yet to figure out how to hedge its foreign exchange exposures. Sir Brian Moffatt, chairman and chief executive of British Steel, insists that UK manufacturing industry cannot compete with sterling at current levels ("Talk sterling down", July 31). "A year ago the pound was worth DM2.30... Today the pound is at DM2.99". He insists that "anything above DM2.50-DM2.60 is too high".

Sterling is one of the world's most liquid currencies. Sir Brian could have easily hedged his competitive exposure a year ago using forwards, options and/or swaps. His request that government impose a de facto tax on the electorate through a decline in the value of the unit of account to compensate for the exporter's lack of risk management is unconscionable.

Eileen M. Debold, 24 Snowdrift Drive, Piscataway, NJ 08854, US

Terrorism that fails

From Professor Brian Harrison.

Sir, If terrorism works, Niall Ferguson ("The language of bombs", August 2) is right to say so. But it hasn't worked in Northern Ireland. There, random terrorism (or "stunt violence") has been responsible for an unending sequence of deaths and mangled limbs among Catholic and Protestant, combatant and non-combatant alike; for the associated impoverishment - in Ireland north and south, not to mention the mainland - that stems from diminished investment, lost tourists, cramped and fearful lives; for so strengthening the Protestant minority's determination to resist an all-Ireland state that governments in London and Dublin are powerless against it; and for allowing the pursuit of short-term headlines to taint a once dignified nationalist cause with long-term notoriety.

What does succeed, as events in eastern Europe during the past decade have abundantly shown, is "mass violence" - the sort of violence that reflects genuine rather than simulated mass indignation. When confronted with even the threat of that, governments crumble.

Brian Harrison, professor of modern history, Corpus Christi College, Oxford, UK

Islamic history a testament to tolerance

From Mr Abdulkader and Mrs Jamila Thomas.

Sir, We were disappointed by A.C. Grayling's review of Peter Partner's *God of Battles: Holy Wars of Christianity and Islam* ("Living and dying by the sword", July 12). The statement that "... the stubborn fact about Islam is that its history and theory both honour the argument of the sword" is patently false and completes the truism perpetuated throughout the article that jihad singularly means war. The Koran emphasises

that matters of religion are not to be compelled. And to this Islamic history bears a testament that greatly overshadows Christianity. Not only were Hindus, Orthodox and other Christians, Jews and other religious communities able to flourish under Islamic rule, most Muslims today are descendants of those who embraced Islam peacefully through communication with Muslim traders.

In contrast, one wonders what came of Europe's early alternative views of Christianity? And there is no need

to ask how the colonial powers, including America, shared their faith.

Linguistically, jihad and its core root in Arabic mean effort or endeavour. The majority of the usages in the Koran and the Prophet Mohammed's sayings relate to self-improvement, particularly in matters of piety and charity.

Abdulkader and Jamila Thomas, 97 Greenwich Hills Drive, Greenwich, Connecticut 06831, US

Consistency a key factor in placing value on ITV licences

From Sir Robin Biggam.

Sir, The Lex column of July 26 commented on the ITC consultation document on ITV licence renewals. Of course, this is for consultation and some of Lex's points, and others, will undoubtedly be raised during the consultation period.

The basis of the consultation must be understood. The ITC's responsibility - which is set out in the Broadcasting Act 1990 - is to establish the value which would be placed on ITV licences if they were put out to competitive tender, with

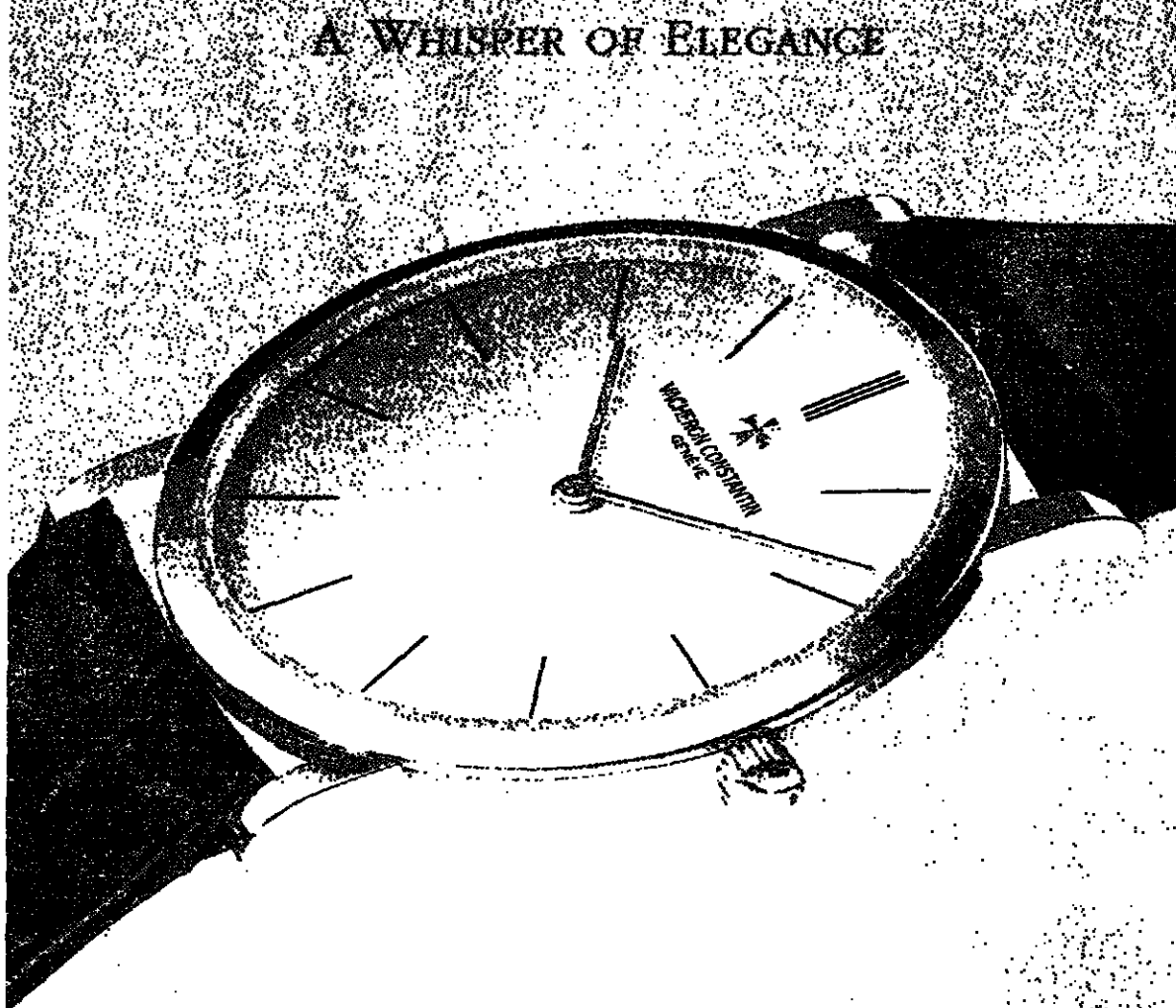
incumbents and new operators having an opportunity to bid. The ITC cannot consider exclusively the value placed on the licences by new entrants and, conversely, cannot focus solely on the investments already made by the existing licensees.

These investments were made in the knowledge that renewal terms offered to them by the ITC had to reflect its estimate of the market value of the licences. Incidentally, our experience from the last ITV licensing round does not suggest - as Lex states - they will always

estimate a lower value. The methodology which the ITC has proposed to derive the market value is open for consultation - and the consultation is a genuine one. However, there is nothing theoretically objectionable in setting a schedule of payments which reduces the net present value to zero, provided that in the calculations an allowance has been made for an adequate return to shareholders. The key element is the level of that return, or discount rate, which is allowed. Whether this is pre- or post-tax is

irrelevant so long as the approach is consistent - and the discount rate is a reasonable number. We expect to receive comments on the appropriate discount rate as part of the consultation exercise and we and our professional advisers will consider them carefully, along with the other issues raised by the respondents.

Robin Biggam, chairman, Independent Television Commission, 33 Foley Street, London W1P 7LB, UK



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FINANCIAL TIMES

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Tuesday August 5 1997

A dilemma for the Bank

The risk that the UK economy will overheat is beginning to be balanced by the danger of an unnecessary recession. The Bank of England's monetary policy committee must decide this week on which side of the balance it will place its weight.

After four quarter point rises in the base lending rate to 6% per cent, the Bank will have strong reasons to keep up the pressure.

First, the markets appear to be expecting the rate to rise to perhaps 7% per cent this year. So doing nothing might be interpreted as weakness. Secondly, the Bank must on no account fail its first big test since it was given responsibility for controlling inflation. Failure would be disastrous for the Bank's prestige and it would damage the prospects for steady economic growth.

A more immediate argument for a rise in rates is that the domestic economy continues to grow much faster than is consistent with long term price stability. The labour market shows increasing signs of tightness, while consumers still have lots of money to spend from building society windfalls.

The Bank's task would be easier if its advice to raise rates last summer had been heeded. Nor was enough done - by the Labour or Conservative governments - to damp down domestic demand with higher taxes on consumers. Consequently there is now a risk that further rises

in interest rate will be too late, with a delayed and perverse effect - hitting the economy when it is moving down.

The latest Confederation of British Industry survey shows the danger. The continued rise in sterling is beginning to have a marked effect on exports. Increased imports will also cut into demand for UK goods. Meanwhile the rise in average earnings, which showed a worrying tendency to accelerate at the start of the year, declined in May to 4% per cent.

So although the domestic economy, particularly in services, continues to show signs of overheating, it may be that the pressures of higher interest rates, a strong sterling, and very tight control over government spending are already applying powerful brakes to the economy as a whole. Yet sterling cannot be relied upon as an anti-inflationary medicine. What the markets raise, the markets may quite unpredictably thrust down.

It would be easy, in this dilemma, for the Bank to make a mistake. If so it should be on the side of caution. A further modest rise is needed, and more should not yet be ruled out. But the Bank must also be quick footed, as the US Federal Reserve has shown itself, to reverse the trend as soon as is prudent, to keep the markets guessing, and so limit the damage from an excessive rise in the currency.

Rouble redux

After all they have suffered, it may seem rich to tell the citizens of Russia they should welcome the latest redenomination of the rouble, announced by President Boris Yeltsin yesterday. After all, they have only been had this way twice in the past six years, and five times this century. All the same, this time it is different, and there is reason to be glad of it.

Thanks to communism, the rouble spent 75 years in wilderness. To its masters it did not matter if the value of the currency were turned on its head overnight, because money at bottom had no real meaning. Nor, of course, did the interests of Soviet citizens.

Soviet rule and post-Soviet crisis turned successive central banks into the equivalent of those dodgy characters on third-world street corners who exchange your currency for a bundle of local notes, which turn out on closer inspection to be stuffed with newspaper.

Again and again, the Soviet and Russian states attempted to solve their inflationary problems by robbing their citizens, exchanging high-value notes for low, and cancelling savings. Nor did this stop with the introduction of democracy. The last redenomination, introduced by Mr Yeltsin's government in July 1993, took place under the same watchwords as its predecessors: autocracy, confiscation, confu-

sion. It was introduced without warning, set strict limits on how much old money could be converted, and froze most savings at low interest rates for six months - by which time they had been destroyed by inflation.

This time, there are two very encouraging differences. The first is that the redenomination is not a frantic response to crisis, but an attempt to emphasise a success: the victory over inflation, now running at about 12 per cent a year. This marks a remarkable recovery from the dark days of 1993, and has been one of the Yeltsin administration's principal achievements.

There is no longer any objective need for so many Russians to conduct business in dollars, or keep foreign notes in socks under the bed. Of course, the effects of the latest redenomination will be symbolic and psychological, but with luck, it should help give Russians faith in their own currency.

Equally important is the way in which the change is being carried out. For the first time, Russia's rulers have given their citizens due warning of what they mean to do, and are also doing their best to explain why. And they are not even facing an election in the next few months.

Many Russians would say there must be something fishy behind it. But this time, they could be wrong.

Helms' hostage

Mr Jesse Helms, arch-conservative chairman of the US Senate foreign relations committee, has often been described as cantankerous. It is an understatement. He is also obstreperous, obstinate, mean, ruthless, devious and bloody-minded. He no doubt would take it all as a compliment. He is also blunt, honest and single-minded, which makes him pretty predictable. But as the most senior politician responsible for the oversight of the foreign policy of the world's solitary superpower, he behaves like an ungilded missile.

Mr Helms' latest antics involve blocking the nomination of Mr William Weld, the ex-governor of Massachusetts, and a fellow Republican, to the next US ambassador to Mexico. He is simply refusing to hold a hearing in his committee to consider the nomination at all. And all Washington trembles to tackle his awesome and arbitrary exercise of his democratic mandate.

Mexico is a neighbour and major trading partner which should matter to the US. The relationship is very sensitive, given the flow of drugs and illegal immigrants across their common border. That makes it all the more important. And Mr Weld would appear to be well qualified on paper to take on the job of US envoy. He certainly deserves a hearing. But

he is a liberal Republican with mildly permissive views on issues such as abortion, soft drugs and gay rights, which are anathema to Mr Helms. So his nomination has become hostage to the political horse-trading of the Capitol.

The trouble is that they all seem to be playing politics. Mr Helms is predictably contrary. But Mr Weld is suspected of using the confrontation to raise his own profile for a possible tilt at the presidency in 2000. And President Bill Clinton seems to be relishing the spectacle of internecine warfare he has unleashed in the Republican party.

Part of the problem certainly lies in the Senate, where grandees like 76-year-old Mr Helms enjoy sweeping powers which appear to contradict the very democratic system which elected them. Committee chairmen have become petty dictators who can hold perfectly sensible government policies to ransom - indefinitely. This is an abuse of their power.

But even Mr Helms can be sweetened. Mrs Madeleine Albright, the secretary of state, appears to have done just that, for example in negotiating a new deal for the UN. Mr Weld, by contrast, doesn't seem to be interested: he wants total confrontation. All that suffer are relations with Mexico, and a sane US foreign policy.

The humbling of Helmut

After failing to push through tax reform, Germany's chancellor is adrift in a sea of troubles, says Ralph Atkins

The past few days have shown the best and the worst of Chancellor Helmut Kohl's government. It was at its best as, spurred on by a clear sense of purpose from the chancellor himself, it pitched more than 10,000 troops and 7m sandbags into battle against the swelling river Oder, averting flood damage costing potentially billions of D-Marks.

But as Mr Kohl gathers his cabinet in Bonn tonight, the triumph against the rains is being overshadowed by a failure to reform taxes. This could do more lasting damage than any flood.

An emergency debate in a hastily recalled Bundestag - the lower house of parliament - will confirm that negotiations with the opposition Social Democratic party have collapsed on a reform that had been expected to yield tax cuts worth up to DM30bn (\$16bn) a year from 1999.

The breakdown - condemned as a "political fiasco" by the German association of industry - has damaged the chancellor's authority. It could well send the kind of signals that encourage the flight of capital and production overseas. And it has further undermined industry's faith in a system of government that seems paralysed by conflicting demands and is unable to tackle essential reforms.

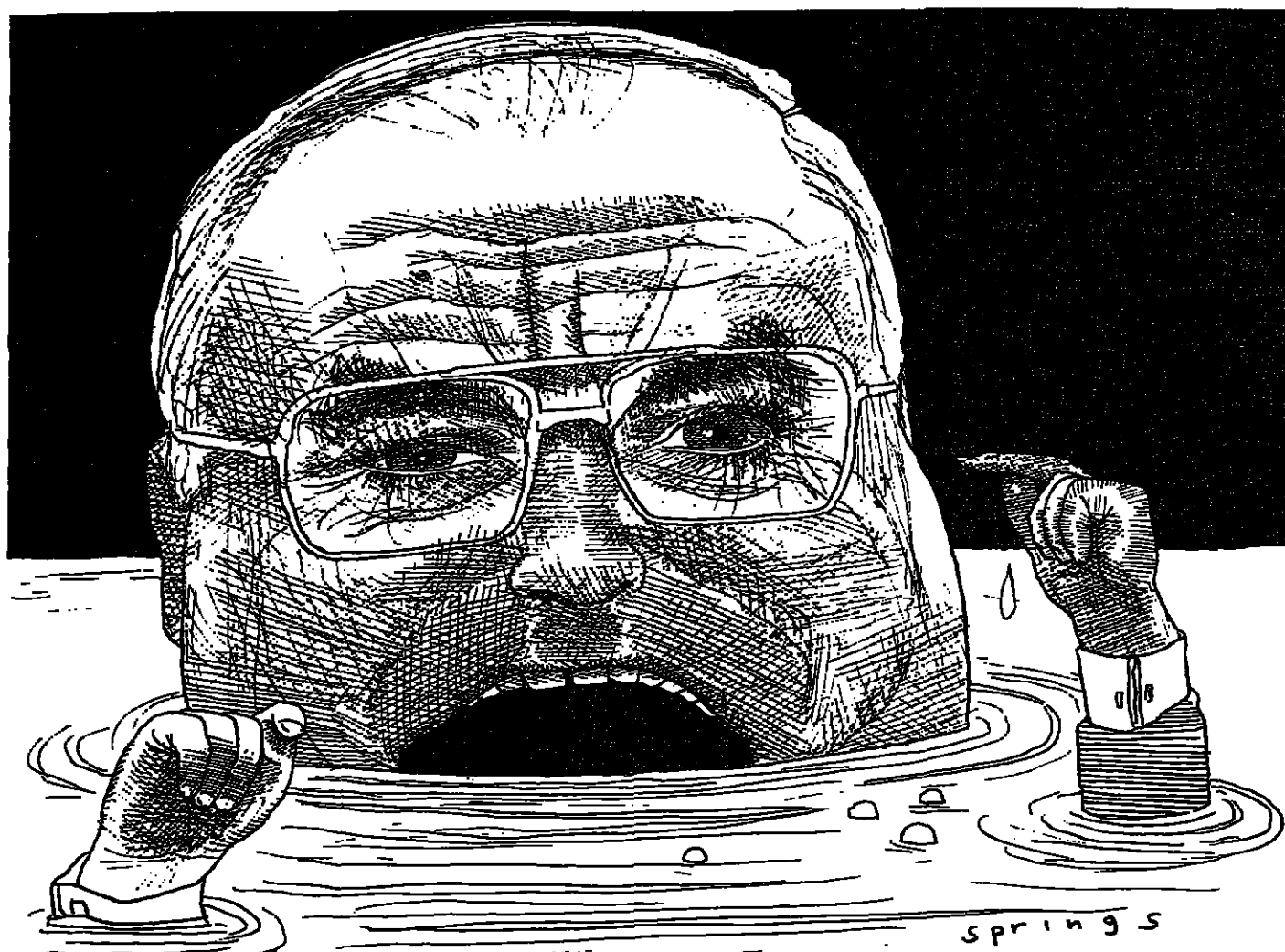
As Mr Wolfgang Schäuble, parliamentary leader of Mr Kohl's Christian Democratic/Christian Social union, remarked wistfully at the weekend: "The ability to resist in our society is highly developed. It is ridiculously difficult to push through change."

He is right. Germany's consensual system of government - in which the big parties, industry and unions must find agreement on the biggest issues of reform - is peculiarly vulnerable to a Reformsstau, or gridlock. Demonstrating the agonising effort of change, Mr Schäuble says the "most stressful" decision in the current parliament has been the extension of shop closing times by between one-and-a-half and two hours. (Sunday shopping has not even been attempted.)

Many times of serious reform are now stuck in seemingly endless debate. Plans to overhaul the country's expensive pay-as-you-go state pension system are embroiled in the tax debate. Under threat are plans to cut non-wage labour costs by reducing the statutory contributions paid by employers and employees.

Also delayed at the discussion stage is reform, mooted for years, of a university system in which students often graduate in their 30s. Germany cannot even change its spelling rules: last week, proposals to revise these were rejected by a court in the federal state of Hesse, reopening a decade-long debate among politicians about the sanctity of the language.

In a consensual system, the chancellor plays a vital role in persuading and cajoling the various partners in the consensus system to accept the imperative of change. Increasingly, Mr Kohl seems unable to do this. His response to the latest setback on tax has been to put the blame squarely on his political opponents. The Social Democrats, he alleges, abused the second parliamentary chamber, using it "as a



weapon in a power battle" in an unprecedented way. "Never has the Bundestag been subordinated so unscrupulously in a struggle for power by a single party," he says.

It is true the SPD has not wasted an opportunity to thwart his ambitions. Buoyed by victories of leftist parties in France and the UK, the party senses the tide is also turning against the chancellor. Its leaders are growing in confidence that they could finally return to office in the 1998 federal election, ending 16 years of government by Mr Kohl.

Their thoughts are on the agenda for an incoming SPD administration, not on helping a political rival.

But the chancellor's difficulties are as much his own making as those of the opposition. He has consistently underestimated the significance of the SPD's control of the Bundestag. (The second house must, for example, approve the tax-reform plans.)

Mr Kohl has oscillated between berating his opponents, and then appealing to them to rally round his proposals. The chancellor's decision to declare as early as this April his candidature for federal elections in September 1998 opened a 17-month election campaign. It polarised politics just as the government began seeking parliamentary consensus in support of the tax and pension legislation.

Mr Kohl also left reform too late. He did not give serious consideration to tax and pension changes until one year after his victory in the 1994 election. The government only did so when Germany was failing to pull itself out of a period of sluggish growth. By the time proposals were finalised, not only were the federal elections approaching, but Bonn was embroiled in a se-

arate debate on the country's financial readiness for the planned European single currency.

The importance of the planned euro currency, which the chancellor sees as determining his political future, meant Mr Kohl's tax-reforming message quickly became lost in the rush to get Germany ready for Emu. Tax rises this year to meet the Maastricht criteria have only narrowly been avoided, largely because of strong resistance from the Free Democratic party, the junior member of Mr Kohl's governing coalition.

The tax debate has become confused for other reasons. The SPD was swift to highlight possible losers and play on widespread fears that large tax breaks were being granted to the highest earners in an effort to emulate "Anglo-Saxon" capitalism. Mr Oskar Lafontaine, SPD leader, says the collapse of last week's tax negotiations reflected "the will of the great majority of the people".

Meanwhile, Mr Kohl was not helped when his own political allies failed to take his tax-cutting message to heart. Mr Norbert Blum, for example, the labour and social affairs minister and Mr Kohl's longest-serving cabinet colleague, is proposing to raise value added taxes to finance a planned reduction in pension contributions.

The cumulative effect of all this was to make voters think they were being robbed by one hand to be repaid by the other. Weekend opinion polls suggested electors were distributing blame for the collapse of the tax talks equally between the government and opposition.

Mr Kohl's problems reflect an ebbing of his political authority over a disparate governing coal-

ition since the beginning of the year. Mr Blum ruffled feathers by voting against the party's tax-cutting plans when they were being discussed by the CDU leadership.

Mr Kohl also faced an unprecedented public call for a cabinet reshuffle, including replacing Mr Theo Waigel, finance minister, from Mr Christian Wulff, the youthful CDU leader in Lower Saxony regarded as one of the next generation of party leaders.

Worse followed with Mr Waigel's aborted plans to use a revaluation of Germany's gold reserves to plug gaps in the public sector finances and meet the Maastricht treaty criteria. When the Bundesbank, the Frankfurt-based central bank, signalled fierce opposition, warning the "credibility and stability" of the new euro currency could be jeopardised, Mr Kohl first stuck firm - and then retreated ignominiously.

Mr Kohl continues to be whirled by centrifugal forces within the coalition. The Free Democratic party is anxious to carve itself a role as instigator of tax cuts. To the increasing irritation of coalition partners, it is demanding an early two-percentage point cut to 5.5 per cent in the much-hated "solidarity surcharge" - levied on income tax bills to pay for eastern German restructuring - regardless of whether wider tax reforms survive. Mr Waigel has warned a cut could only be made if the funds are found from somewhere else.

The gridlock in Bonn has reopened a wider debate about constitutional reform. Last month Mr Hans-Olaf Henkel, president of the German association of industry, voiced industry's frustration at Germany's

postwar political structures, asking "whether a country with our federal structure, with 16 federal states, and an election system based on proportional representation actually has a chance to change as fast as others".

But Mr Henkel's call for a debate on the effectiveness of the political system has fallen on deaf ears, if only because the prospects of winning agreement on such fundamental reform are even more distant than getting agreement on taxes. Even Mr Wolfgang Gerhardt, leader of the reform-minded FDP, is reluctant to alter a postwar constitution "deliberately chosen to achieve a balance of powers and, following Germany's historical experience, to avoid creating too powerful a central state".

The result is that Germany's system of government looks paralysed and Mr Kohl has no choice but to take his reform campaign to voters directly.

He has promised to take an active role in forthcoming state elections and to denounce the SPD's parliamentary blockade "from village to village, from city to city".

A first test will come in state elections in SPD-led Hamburg on September 21, followed by a contest in Lower Saxony, also controlled by the SPD, next March. But even victory against the opposition party in the CDU's most hopeful prospect - next April's elections in Sachsen-Anhalt - would not be sufficient to overturn the SPD's majority in the Bundestag.

That looks set to leave Mr Kohl floundering until the federal elections. Regaining momentum behind his reform plans, and restoring his leadership credentials before then will not be as easy as holding back the river Oder.

OBSERVER

Race for the line

More bumping and barging in the race to host the 2004 Olympic Games. This time it's the International Amateur Athletics Federation boss Primo Nebiolo who's using his elbows - by making less than flattering comments about the organisation of this week's world athletics extravaganza in Athens.

You'll remember that five cities - Athens, Rome, Buenos Aires, Stockholm and Cape Town - are battling it out to host the next-but-one Olympics. It's been a marathon competition and there are signs that things are getting tense as the finishing line starts to loom: the International Olympic Committee is due to make its decision next month in Lausanne.

Nebiolo is leading Rome's bid to scoop the big prize - and working hard to show that the Italian capital has left behind its reputation for shambolic organisation and corruption. Down in Athens yesterday he didn't miss his chance to blame his Greek hosts for the sparse crowd that turned out to watch the men's 100m final - supposedly one of the blue-ribbon events of the championship.

"It was very disappointing," said Nebiolo, speaking within earshot of IOC chairman Juan Antonio Samaranch. "The organisers did not do a great promotional job before the championships. They did not understand."

Those comments won't please the man behind the organisation in Athens - septuagenarian former military type Evangelos Savramis. Despite his advancing years, action man Savramis still makes parachute jumps in his spare time. If the Olympic race gets much dirtier, Nebiolo had better watch out.

Edinburgh fringe

Could the elegant city of Edinburgh really stomach an out-of-town permitting? Referendum permitting, a new Scottish assembly is due to open for business in three years; but still no one knows where to put the thing.

It's no secret that the old Royal High School - where a chamber was created for the 1979 shot at Scottish devolution - is pretty unsuitable; it's not completely out of the running but bringing it up to scratch would cost a small fortune. On the other hand, building a spanking-new assembly in the historic city centre would give conservationists a fit of the vapours.

There's plenty of undeveloped land on the city's western fringe, out among the shopping malls and shiny new office blocks. But putting the assembly out there would prove as popular as moving the House of Commons to Heathrow Airport. The easiest solution looks like Leith, the up-and-coming port area where the Scottish Office moved its civil servants two years ago and where it's got an option on vacant land adjacent to its existing building.

Wherever the assembly goes, a decision is needed quickly - or they'll be putting up tents for opening session which is pencilled in for 2000.

Dam all

The Hungarian privatisation agency will have to try harder if it really wants to sell government's 68 per cent stake in a company called Dam.

The first invitation to tender in June failed to flush out a suitable bidder, so the agency has embarked on a second attempt - and booked an international advertising campaign to grab the attention of big-hitting investors.

The snag is that while the adverts go into immense detail about tender deadlines, share ownership structure - and the little matter of a \$0.5m deposit - there's not a single clue about

what the enigmatic enterprise actually does.

So before executives in the hydro-electric power industry get too excited, Observer is delighted to be able to enlighten: Dam is an indebted steel works located in Miskolc which boasts, apparently, a new induction furnace. So now you know.

Three's company

Russians are naturally suspicious of their central bank - so knocking three noughts off the face value of the Russian rouble may not have been the best way to restore confidence in the currency.

Millions of citizens were yesterday left pondering whether the monetary authorities were preparing to rob them once again.

On reflection, though, redenominating the rouble could prove a masterstroke. Nostalgic Russians still wax lyrical about the price stability that prevailed between 1961 and 1991 under Communist rule: in those days a bottle of vodka could always be had for three roubles - year in, year out. The latest currency reform could yet revive the three rouble tipple. Under the new system a quarter-litre bottle of moonshine Ukrainian rocket fuel could well retail for the equivalent of about 32 cents. Just like the bad old days.

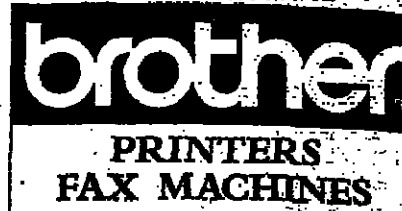
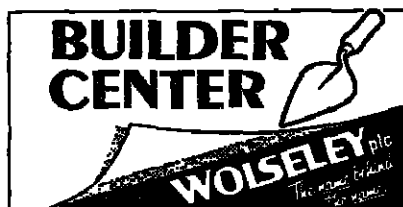
The Financial Times

100 years ago

Turkey And Greece
Paris: The question of raising a loan to enable the Greek Government to pay the Turkish war indemnity is now engaging the attention of the leading European finance houses. A private letter from Athens to one of the attaches of a foreign embassy here contains a statement to the effect that King George of Greece has decided, as soon as the articles of peace have been signed, to renounce the Crown Prince and declare his second son, Prince George, as the heir to the throne. It is understood that this act is the voluntary intention of the King, and had been entirely brought about by the conduct of the Crown Prince during the late war.

50 years ago

Mr Churchill's Indictment
Mr Winston Churchill, speaking two days before the Prime Minister announces the Government's economic crisis plan to the nation, yesterday made a three-point indictment against the Socialist Administration. He charged them with (1) Failure to take effective steps until the U.S. loan was nearly exhausted (2) Failure to secure adequate production of coal on which the economic life of the country depended (3) Failure to check unprecedented "wild financial extravagance."



Kia's creditors withhold loans as managers reject rescue plan

By John Burton in Seoul

Creditors at Kia, South Korea's third largest car group, have refused to provide emergency rescue loans of Won185.5bn (\$308m) after managers at the troubled group rejected the banks' restructuring proposals, including a demand that they resign.

The banks, led by Korea First Bank, have agreed to freeze Kia's debt payments for two months, but want Mr Kim Sun-hong, chairman, and other Kia executives to resign.

They are also demanding that Kia sell its loss-making commercial vehicle unit, Asia Motors, and that its trade union provide written consent to the sacking of 8,000 workers and the acceptance of reduced wages as part of a restructuring effort.

"Although Kia Group has

failed to meet such demands, creditors decided on the two-month [bankruptcy protection] accord to minimise the adverse effect the conglomerate's troubles will have on the country's economy," said the banks. They will review Kia's chances of recovery at the end of the period on September 28.

Kia has resisted the banks' proposals because it views them as a first step towards dismantling and selling off the group. It was placed under bankruptcy protection on July 15 after suffering cashflow problems because of financial institutions' reluctance to give loans following the bankruptcy of several other conglomerates.

It suffered a net loss of Won129.4bn last year owing to problems at its commercial vehicle, steel and construction units, and has debts of \$10.7bn.

The restructuring programme involves selling Won3,100bn in property and industrial assets and cutting the number of subsidiaries from 28 to five through mergers, sales and spin-offs. The banks have called the plan inadequate.

The group has raised Won122bn from selling property owned by its steel and construction units while it negotiates the sale of land owned by Asia Motors. It also said it had reached an agreement with state-run Pohang Iron and Steel (Posco) to reorganise the country's specialty steel industry by 1999 to improve the performance of Kia Steel.

Kia Steel, Korea's second biggest specialty steel producer, will concentrate on products for the car industry, while Posco will manufacture

other products such as stainless steel pipes. Earlier this year Posco bought several plants from the bankrupt Sammi group, the country's largest specialty steel company.

Hyundai and Daewoo, Korea's two leading car companies, agreed last week to buy a joint stake in Kia Steel in an effort to help the group. They are worried that the collapse of Kia could lead to its takeover by Samsung, transforming the new market entrant into a main competitor.

The Korea Automobile Manufacturers' Association is expected to meet today to plan other support measures for Kia and ask the government and banks to help. But the government says it cannot intervene as state financial aid would violate World Trade Organisation subsidy regulations.

Boeing finalises McDonnell deal

By Michael Skapinker, Aerospace Correspondent

Boeing of the US completed its takeover of McDonnell Douglas yesterday and indicated it would not be impeded by promises to Brussels to keep its newly acquired civil aircraft operations separate.

The European Commission last month approved the takeover only after Boeing made last-minute concessions, including a pledge to issue separate accounts for the McDonnell Douglas civil aircraft business. The takeover will create the world's biggest aerospace and defence company.

But Mr Philip Condit, Boeing's chairman, said yesterday that the undertaking only meant his group had to issue separate accounts for the McDonnell Douglas business.

He said it would not stop

Company says it will not be impeded by concessions

Boeing moving manufacturing operations from one site to another if it thought it necessary. Nor would it limit Boeing's decisions about the future of the aircraft previously manufactured by McDonnell Douglas.

Mr Condit's statement adds weight to the view of aerospace analysts that the concessions extracted by Mr Karel Van Miert, the EU competition commissioner, will do little to hamper the newly enlarged Boeing.

McDonnell Douglas's civil operation will become part of Boeing's commercial aircraft subsidiary.

But Boeing managers were deeply humiliated by having to

how to Mr Van Miert's demands, including his insistence that the company drop exclusivity clauses from 20-year supply deals that it had concluded with three US airlines.

Yesterday, however, Mr Condit put his bruising encounter with Brussels behind him to hail what he called "this historic day".

In satellite broadcasts to staff at 50 sites and at a press conference in Washington DC, Mr Condit said: "This day really belongs to the more than 200,000 men and women of the new Boeing."

He avoided any sense of triumph regarding the takeover of McDonnell Douglas, insist-

ing the two sides would work together.

He said he was addressing staff and the press from Washington to avoid having to choose between Boeing's home town of Seattle and McDonnell Douglas's stronghold in St Louis.

Mr Condit reminded employees that Washington was also the headquarters of the US defence department, the enlarged Boeing's most important customer.

He said he had consulted Mr Paul Kaminski, the US under secretary of defence, about the best structure for Boeing.

St Louis will be the site for Boeing's military aircraft activities, assuaging fears that it would move to Seattle. The business will be headed by Mr Mike Sears, a senior McDonnell Douglas executive.

Strike and pound hit BA

Continued from Page 1

last month's sale of shares in Galileo International, the computer reservations system.

Mr Christopher Tarry, aviation analyst at Kleinwort Benson, said he expected full-year pre-tax profits before exceptional items to be £454m, com-

pared with £540m last year. Mr Chris Avery of Paribas Capital Markets forecast that pre-tax profits before exceptional items would be as low as £385m.

Mr Tarry said he expected the strength of sterling to cost BA £130m over the full year, while Mr Avery put the figure at £200m.

UPS strike hits business

Continued from Page 1

than full-timers. The union wants the company to increase the proportion of full-time positions.

UPS was making efforts to minimise disruption to its international services. It said deliveries between countries outside the US would be unaffected, and deliveries to and from the US should be almost unaffected.

Many UPS customers had drawn up contingency plans to deal with the strike.

J.C. Penney, the catalogue company, was asking its customers to pick up their goods from the nearest J.C. Penney department store.

ABB faces ultimatum over \$5bn Malaysian dam deal

Continued from Page 1

which side - the ABB consortium or Bakun Hydroelectric - is responsible for bearing the burden of any cost overruns.

Under the current contract this responsibility resides with Bakun, but Mr Ting wants the burden to shift to ABB. The Swiss-Swedish company

argues that were it to take responsibility for cost overruns, it should then be allowed to decide which companies were awarded subcontracting work.

The executives close to the negotiations said Mr Ting was also trying to cut the contract cost in an attempt to raise the project's return on capital. The

return is currently estimated at 12 per cent - a level considered low when set against considerable construction risks over a period of six years.

The low rate of return was the main reason why banks were reluctant to lend to the project, and it would be difficult to increase this, economists said.

THE LEX COLUMN

Ringgit wrong

Dr Mahathir Mohamad, the Malaysian prime minister, protests too much. Fresh from trades against speculators, Malaysia has now imposed currency controls to ward them off.

He can claim a minor victory in the ringgit's appreciation yesterday. But other Asian governments tempted to join his crusade should look at the stock market instead. It fell 2.4 per cent yesterday and is now down 23 per cent from its peak in February. This partly reflects the slowdown in the Malaysian economy, its incipient property bubble and the effects of its currency peg to an appreciating dollar. However, by creating currency traps for speculative investors, the government is in effect increasing the risk premium for investing in Malaysia.

Ironically, an increased risk rating would encourage exactly what Dr Mahathir is trying to prevent: higher interest rates and/or a weaker currency. Even in the short term it looks more likely to encourage volatility than prevent it. And this is at a time when the prospects for south-east Asian currencies appeared to be improving, with a likely Thai rescue package from the International Monetary Fund.

Of course, if Malaysia really wanted to control its currency it could revert to a rigidly fixed exchange rate, as in nearby Burma. However, as well as stifling trade and investment, this would boost use of hard currencies and the black market - scarcely, one would think, what Dr Mahathir wants.

HSBC

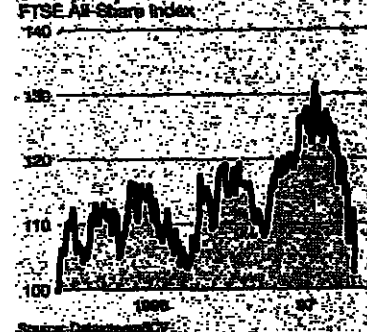
HSBC's management could be forgiven for being a little smug yesterday. For several years, it suffered the accusation that it operated in risky markets and would struggle to handle a British bank like Midland. It suffered a discount rating to the UK banking sector. Yesterday, it revealed another strong performance in Asia, and Midland is now almost as tightly managed as Lloyds TSB and ahead of the rest of the pack. Moreover, HSBC shares have outperformed everything else in the FTSE 100 index since January 1996 and now enjoy a similar rating to the UK's bluest chip bank, Lloyds.

There has still been the question of what HSBC would do with its surplus capital, but its solution is now clear. The 33 per cent interim dividend increase is not supposed to be a signal for the full year, but

FTSE Eurotop 300 index
998.3 (7.2)

British Airways

Share price relative to the FTSE All-Share index



dividend growth will comfortably exceed earnings growth this year. HSBC has also decided it wants to be an emerging markets superbank, investing \$2bn in Latin America in the hope of replicating its experience in Asia. The risks in Latin America remain considerable, but prices are attractive compared with troubled banks in Europe and growth rates much higher. It paid 0.7 times revenues for Brazil's third largest bank, while HSBC itself is valued at five times revenues.

Of course, decent returns from Brazil remain distant. Short-term performance will be driven more by HSBC's ability to contain rising costs in Hong Kong and avoid fallout from the economic woes of Thailand and Malaysia. But given the current earnings momentum, further outperformance looks likely.

British Airways

Can British Airways' industrial relations problems really have cost £125m? Well yes, conceivably they can. Such a fat figure inevitably invites suspicion that BA could be overvaluing the effects - and, perhaps, those of sterling's strength as well - to win sympathy from the airline's troublesome (but profit-sharing) staff. Yet even supposing BA has erred a touch on the pessimistic side, the fact remains that the company has lost a good deal more than three days' revenues. There are the many passengers put off by the risk of further disruption. There are the staff who went "sick" and quietly took much longer than three days to return; even now, BA's sickness levels are abnormally high. Meanwhile, the relative ease

with which the union has inflicted such financial pain looks a sure recipe for future trouble.

None of this, however, remotely justifies the stock market's attack of nerves. Since the middle of May, BA shares have underperformed the market by nearly 20 per cent. Such a sharp correction, in a company with a market capitalisation of £6.6bn, hardly looks a cool verdict on a £125m strike or on sterling's current strength - even if that has carved £77m out of this quarter's profits. Nor is it at all clear that the odds on a successful alliance with American Airlines have materially lengthened. As a result the shares, now trading on a discount of 10-20 per cent to the market on the basis of next year's earnings, look attractively good value.

Lord Simon

Lord Simon, the British Petroleum chairman turned politician, is making it hard for people to come to his defence. The fuss about his £2m shareholding in BP looks like a trifling issue whipped into a storm by a Tory party still smarting over Labour's attacks on sleaze when it was in power. Nevertheless, nagging questions remain: why, for example, did Lord Simon not register his interests when he became a minister? By refusing all interviews, he has lost the chance to nail the issue.

That said, the central accusation - that Lord Simon faces a conflict of interest through holding BP shares while a minister - is weak. He has absented himself from decisions directly affecting BP. But now he is lambasted for being involved in matters that concern BP only tangentially: the European single market, which includes energy liberalisation; and the European takeover directive. True, BP has an interest in these matters, but they also concern much of industry. To suggest Lord Simon is disqualified from taking decisions on such generic matters is risible. Quite the reverse: this is where his expertise is especially valuable.

The Tories' campaign has not been edifying. But one cannot help feeling there is poetic justice in the affair, however unfortunate that Lord Simon is the target. When in opposition - and, even in government, with its scurrilous attacks on the lottery bosses - Labour made political capital out of fat cats. In a sense, the party is now reaping what it sowed.



Interim Results PEARSON DELIVERS STRONG PERFORMANCE

	1997	1996	1996
	Half year	Half year	Full year
Sales - continuing operations	£958m	£867m	£2,049m
Operating profit - continuing operations	£66m	£34m	£148m
Profit before tax	£81m	£30m	£357m
Earnings per share	11.1p	2.8p	42.9p
Adjusted earnings per share	6.0p	4.0p	30.6p
Dividends per share	7.5p	6.9p	18.0p

Pearson plc, The International Media Group

To view the full Interim Results and other information about Pearson, visit our Web Site at: <http://www.pearson.com>

A copy of the full announcement, which is being sent to all shareholders, is available from: Pearson plc, 3 Burlington Gardens, London W1X 1LE. Telephone: 0171-411 2000.

Europe today

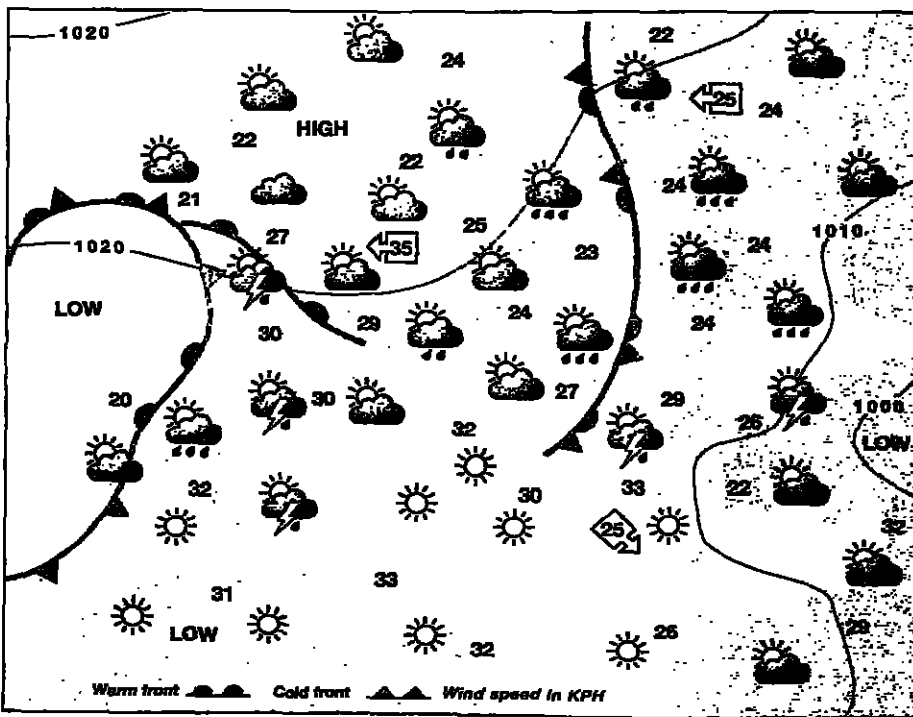
The Mediterranean will be hot and sunny, but afternoon showers or thunderstorms are possible in Spain. The Balearic Islands, Corsica and Sardinia will be warm and sunny, but the sunshine will turn hazy at times with a chance of showers. Northern Portugal, northern Spain, central and western France will be muggy and cloudy at times with thundery rain in places. Western and southern France, Germany, the Low countries and Scandinavia will have plenty of warm sunshine. Central and eastern Europe will have some warm sunshine but there may be showers or thunderstorms later in the day.

Five-day forecast

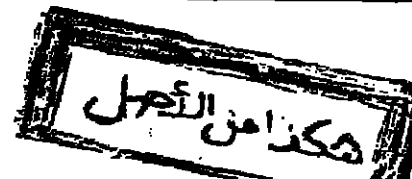
It will remain unsettled in the west with thundery weather continuing across Iberia, France and parts of the British Isles. The Mediterranean, Scandinavia and much of central Europe will be dry with plenty of warm sunshine. It will remain unsettled in eastern Europe with a risk of showers.

TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	32
Accra	28
Algiers	32
Amsterdam	18
Athens	32
Bangkok	32
Batavia	32
Bombay	32
Buenos Aires	22
Calcutta	32
Cairo	32
Cape Town	18
Cardiff	18
Cebu	32
Chennai	32
Colombo	32
Dakar	32
Dallas	32
Dhaka	32
Dubai	32
Dublin	18
Edinburgh	18
Frankfurt	18
Geneva	18
Glasgow	18
Hamburg	18
Helsinki	18
Hong Kong	32
Honolulu	32
Island	32
Jakarta	32
Jersey	18
Karachi	32
Kuala Lumpur	32
London	18
Luxembourg	18
Lyon	18
Madrid	18
Manila	32
Medan	32
Mexico City	32
Miami	32
Montreal	18
Moscow	18
Nairobi	32
Naples	18
Nassau	32
New York	18
Nice	18
Nicosia	32
Oslo	18
Paris	18
Perth	18
Prague	18
Rangoon	32
Reykjavik	18
Rio	32
Rome	32
S. Francisco	32
Seoul	32
Singapore	32
Stockholm	32
Taipei	32
Tel Aviv	32
Tokyo	32
Toronto	18
Vancouver	18
Venice	18
Vienna	18
Warsaw	18
Washington	18
Wellington	18
Winnipeg	18
Zurich	18



Station at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre



COMPANIES AND FINANCE: ASIA-PACIFIC

Dickson Concepts set to take control of Barney's

By John Ridding in Hong Kong

Dickson Concepts, the fast-growing Hong Kong retailer, appears to have won the battle to take control of Barney's, the US department store group under bankruptcy protection, with a deal worth US\$247m.

Mr Dickson Poon, founder and chairman of the Hong Kong company, said Barney's and a committee of creditors had agreed a financial restructuring which would give Dickson Concepts a 51 per cent stake in the US group.

Although the accord requires approval from a New York bankruptcy court, Mr Poon was confident the deal would be finalised, ending a protracted contest for control.

Dickson Concepts had previously offered \$240m for Barney's. Other groups that had negotiated to acquire the company included Saks Holdings, which made a cash and stock offer worth \$290m but later withdrew it, and Texas Pacific, an investment partnership led by Mr David Bonderman.

Completion of the accord would give

a new lease of life to Barney's, which entered Chapter 11 bankruptcy protection in January last year following a costly expansion strategy and disagreement with Isetan, its Japanese partner.

The deal would also establish Dickson Concepts as a global luxury retailer. The Hong Kong company already owns Harvey Nichols in the UK, Seibu in Hong Kong, and regional franchises for Polo Ralph Lauren and other luxury brands. As with Harvey Nichols, Mr Poon proposes to list Barney's on the stock market.

"It is an agreement that can satisfy the expectations and the needs of each of the parties," said Mr Poon. He added that the Hong Kong group expected to complete due diligence proceedings by mid-August, but that completion of the deal could take five months.

Under the terms of the agreement, Dickson Concepts will pay US\$75m for its 51 per cent stake and US\$82m for a five-year convertible bond to be sold by Barney's. On conversion, Dickson's stake would rise to about 70 per cent. Dickson will also take on US\$75m of

Barney's debt and pay US\$42m for licensing royalties.

According to Mr Poon, agreement on the restructuring has still to be reached with Isetan. The Japanese retailer, which financed the development of flagship stores in Chicago, Beverly Hills and New York, also has to agree to a restructuring of leases on these properties.

Shares in Dickson Concepts rose almost 3 per cent to HK\$37.60 on news of the deal. However, the reaction from analysts was mixed. "I am bullish on

management at Dickson Concepts, but Barney's will be more difficult to turn around than Harvey Nichols," said Ms Victoria Cheuk, retail analyst at Goldman Sachs in Hong Kong.

"This would give Dickson Poon and his company a global standing, but the US is a tough market, and they don't have experience there," added a European investment banker.

Mr Poon played down the cost of the acquisition, arguing the deal could be financed from cash holdings and borrowings.

New challenge for HK rescue artist

The deal promises significant expansion for Dickson Poon, but there are risks

Patience is paying off for Dickson Concepts.

Almost six months after entering the protracted contest for Barney's, it announced a decisive step in the battle for the upmarket but down-at-heel US department store group.

The move promises significant expansion for Mr Dickson Poon, founder and chairman of the Hong Kong company. Providing due diligence is completed by the mid-August deadline and approval from the bankruptcy court is secured, the US\$247m deal would give Dickson a substantial presence in the US.

It heralds the Hong Kong company's arrival as a global retailer, filling a gap in an empire which ranges from Harvey Nichols in the UK to Seibu in Hong Kong, and which covers hundreds of franchises for

luxury brands. But the planned expansion also involves substantial risks. Buying Barney's is the most ambitious step to date for Dickson Concepts, bringing hazards along with the caché attached to the chic US group.

Barney's has been in Chapter 11 bankruptcy protection since January last year, saddled with the costs of an aggressive expansion strategy and stricken by legal disputes with Isetan, its Japanese partner.

Reviving its fortunes is a much trickier proposition than the successful turnaround of Harvey Nichols, acquired in 1991 for \$51m (\$83m) and quickly restored to profit.

"They have a lot of hard work to do," says Ms Victoria Cheuk, retail analyst at Goldman Sachs in Hong Kong. "Barney's is not just

one store, but a chain, and it has problems on both the operational level and the financial level."

She points to the costly expansion, partly funded by Isetan, which led to new stores and expensive refurbishments and which ultimately led to Chapter 11 for the famous family-run group.

Like other analysts, Ms Cheuk plays down the prospects of a rapid recovery. "This is a long-term commitment," she says. "Four or five years down the road this might seem like the right move," she says. "But the fact that people like Saks pulled out of the bidding suggests it won't be easy."

Optimists point to Mr Poon's track record and his reputation. "Dickson is very disciplined and has an eye for detail," says one Hong Kong banker. Although Mr

Poon is often portrayed as a socialite, he is regarded as careful and cautious in business.

"Redesigns and a fresh image was a big factor in the recovery of Harvey Nichols," the banker says. "But the real improvements came at a more mundane level, in systems and cost controls."

Whether Dickson Concepts can repeat its success at Harvey Nichols - which last year announced profits of \$12.14m for the year to end-March - will depend on a similar mix of cost controls and repositioning. "They have got to slow their expansion, and they have got to raise sales," says the retail analyst at a US investment bank.

Some progress is already under way. In June, the US retailer announced it would

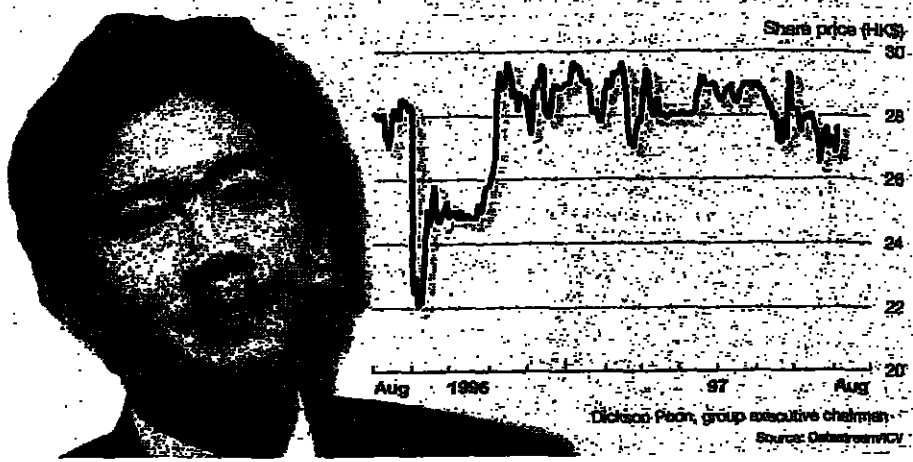
close four US stores, including a flagship outlet in New York. Mr Poon, yesterday described the decision as "probably something correct to do", but remained guarded about his strategy pending completion of the deal.

He was still more reserved about Barney's financial position and whether there would be a role in management for the Pressmans, the group's founding family.

While Mr Poon is expected to curb costs, he is also likely to exploit the Barney's brand outside the US. This has been attempted with mixed success by Isetan, whose legal wrangles with Barney's remain a threat to a smooth conclusion of the deal. More certain is the position from which Mr Poon is taking his boldest step.

From its origins in 1980,

Dickson Concepts: going global



when Mr Poon opened his first watch and jewellery shop in Hong Kong, his group has built a retail network of more than 270 outlets. Profits for the year to the end of March, troubled by the acquisition of Barney's, he said yesterday, were boosted by exceptional gains from the spin-off of Harvey Nichols and S.T. Dupont, the lighter and luxury goods group.

Announcing the results in June, Mr Poon predicted more double-digit profits growth in the current financial year. That would not be affected by the acquisition of Barney's, he said yesterday. Nor would the purchase have a significant impact on results in the following year. However, the move into the US is set to play a wider role in Dickson's prospects.

"This is a new investment phase for Dickson Concepts," says Ms Cheuk. Mr Poon's ability to rebuild Barney's matters beyond the faded fortunes of the US retailer and his reputation as a rescue artist. It will determine whether the group he founded can be built into a global network.

John Ridding

Notice

To shareholders in Sparbanken Sverige AB (publ) (Swedbank)

An Extraordinary General Meeting of Sparbanken Sverige AB (publ) will be held at Folkets Hus, Barnhusgatan 14, Stockholm, on Tuesday August 26, 1997 at 10.30 a.m. (CET).

Admission and registration will begin at 9.30 a.m. (CET).

Notification of attendance, etc.

Shareholders who wish to attend the Extraordinary General Meeting must be registered in the share register kept by Värdepapperscentralen VPC AB (the Swedish Securities Register) on Friday August 15, 1997, and must notify the Company Secretary, Sparbanken Sverige, 51053 Stockholm, Sweden, or by telephone +46 8 670 21 40, or by fax +46 8 670 21 40, no later than Thursday August 21, 1997 at 3 p.m. (CET).

When giving notice of attendance, shareholders should state name, personal/company registration number (in the case of Swedish citizens or companies), address and telephone number. Shareholders represented by proxy should send a duly signed Power of Attorney, and if the Power of Attorney is issued by a legal entity, a certified Registration Certificate or other document attesting the authority of the person signing to the Bank before the General Meeting.

Shareholders whose shares are non-registered must, to be entitled to attend, request that they are temporarily registered under their own name in the share register kept by the Swedish Securities Register. Such registration which normally takes a few days must be effected by August 15, 1997. The nominee should therefore be notified in good time prior to this date.

Agenda

1. Opening of the Meeting.
2. Election of Chairman of the Meeting.
3. Approval of Carl Axel Petri, former Chief Justice of Appeal.
4. Appointment of Secretary.
5. Preparation and checking of the Register of Voters.
6. Appointment of two persons to check, together with the Chairman, the Minutes of the Meeting.
7. The question of whether the Meeting has been convened in due order.
8. Address by the President of the Bank.
9. Proposal for approval of a Merger Plan regarding the amalgamation of Sparbanken Sverige AB and Sparbanken AB (publ) and regarding a new share issue in connection therewith.

Main features of the Merger Plan

In a declaration of intent submitted in February 1997, the Boards of Directors of Sparbanken Sverige AB ("Sparbanken") and Sparbanken AB ("Sparbank") unanimously resolved to propose that the two banks be amalgamated. In a first phase, Sparbanken has made a public offer to Sparbanken's shareholders and to holders of warrants issued by Sparbanken to receive newly issued shares in Sparbanken in exchange for shares and warrants in Sparbanken. This phase was implemented through a non-cash issue decided by the Annual General Meeting on April 23, 1997, decided by Sparbanken's shareholders and warrant holders which was registered by the Swedish Financial Supervisory Authority on June 3, 1997. Through this non-cash issue, Sparbanken's share capital was increased by SEK 1,454,345,380 to a total of SEK 7,017,569,420. At the time of the registration of the issue, Sparbanken had a paid-up capital of approximately 98.5 per cent of the total number of shares and votes in Sparbanken. Sparbanken is thus a subsidiary of Sparbanken.

Since the first phase of the proposed amalgamation of Sparbanken and Sparbank has been completed, the Boards of Directors of the two banks have decided to embark on the second phase of the planned amalgamation. On June 19, 1997, the Boards established a joint Merger Plan relating to the amalgamation of the two banks with Sparbanken as the acquiring company and Sparbanken as the acquiring company. The Merger Plan was registered by the Swedish Financial Supervisory Authority on June 25, 1997. Particulars of the registration were published in the official Swedish Gazette on July 2, 1997. The Merger Plan and documents appended thereto have since been kept available for the shareholders of the two banks at the head office of the respective bank.

The Board of Directors recommends that the General Meeting approve the three-established and registered Merger Plan and at the same time pass a resolution regarding a new share issue at which the new shares shall constitute the merger consideration for shares in Sparbanken.

The effect of the proposed new share issue will be that Sparbanken's share capital, which currently amounts to SEK 7,017,569,420, will be increased by not more than SEK 4,487,723 through the issue of not more than 2,243,851 new shares, each with a nominal amount of SEK 20. The following terms and conditions are proposed to apply to the new share issue.

- a) The merger consideration shall only be paid in respect of such shares in Sparbanken which at the time of registration of the merger between Sparbanken and Sparbanken are owned by a party other than Sparbanken. Entitled to receive the merger consideration shall be those who on that date are registered on a Swedish Securities Register Centre Account (VPC-konto) for shares in Sparbanken. In that connection, two new shares in Sparbanken shall be received for each full seven series A common shares in Sparbanken and one new share in Sparbanken for each full three series B preference shares in Sparbanken.
- b) The new shares will carry the right to dividends from and including the 1997 financial year.

To those shareholders in Sparbanken, whose holding of common and preference shares, respectively, in Sparbanken is not evenly divided by seven and three, respectively, accounting of the merger consideration in respect of the series number of shares - i.e. 1.6 common shares and 1.2 preference shares, respectively, per shareholder in Sparbanken - is proposed to be made in the following manner. All these shares will be sold on the market. Commission or other fees will not be charged in connection with the sale. After all

the shares in question have been sold, payment of the dividend sales settlement will be made to the previous holders of the shares. The settlement will be distributed between them in accordance with the grounds for the distribution of the merger consideration in general.

9. Proposal for amendments to the Articles of Association. As a step in the proposed amalgamation of Sparbanken AB ("Sparbanken") and Sparbanken Sverige AB ("Sparbank") it is proposed in the aforementioned declaration of intent for merger between the two banks that the name of the merged bank shall be Sparbanken AB (publ) ("Sparbanken").

As stated above, the Board of Directors of the two banks established a joint Merger Plan on June 19, 1997 for the amalgamation of Sparbanken and Sparbanken and resolved to propose that the respective Annual General Meeting approve the Merger Plan.

As a consequence of the new share issue, directed to shareholders and warrant holders in Sparbanken resolved by the Annual General Meeting of Sparbanken on April 23, 1997, Sparbanken is now, as stated above, the holder of approximately 98.5 per cent of the total number of shares and votes in Sparbanken.

Against this background, the Board of Directors proposes that Section 1 Para one of the Articles of Association be changed with the effect that the Bank's name shall be Sparbanken AB (publ) ("Sparbanken").

As a consequence of the merger between Sparbanken and Sparbanken, the Board of Directors of the merged bank shall be composed of 14 members, 12 of whom shall be elected by the shareholders and 2 of whom shall be appointed by the Board of Directors.

10. Determining the number of Directors and Deputy Directors to be appointed by the General Meeting.
11. Determining the remuneration in Directors.
12. Election of Directors and Deputy Directors.
13. Election of Directors and Deputy Directors.
14. Other matters, if any.
15. Closing of the Meeting.

The complete proposals of the Board of Directors with regard to items 8 and 9 as well as documents in accordance with Chapter 4 Section 1 Para one, Chapter 4 Section 5 Para one and Chapter 4 Section 7 Para two and five of the Banking Companies Act (1987:518) are available from the Company Secretary of Sparbanken Sverige AB, Brunkebergsgatan 8, Stockholm.

Stockholm, August 5, 1997
Sparbanken Sverige AB (publ) (Swedbank)
Board of Directors

Against the background of the proposed amalgamation of Sparbanken AB and Sparbanken Sverige AB, the Election Committee appointed by the General Meeting has proposed that the Board of Directors of Sparbanken Sverige AB shall consist of 14 Board Members and one Deputy Board Member.

Ahead of the proposed amalgamation, the Election Committee in consultation with the principal shareholders of the two banks, Lars Bråbäck and Rolf Johansson, have nominated a Board of Directors consisting of 14 Ordinary Members and one Deputy Member. 11 of the 18 nominated Members are elected on the Board of Directors of Sparbanken Sverige AB and were elected by the Annual General Meeting of the Bank on April 23, 1997.

Accordingly, the Election Committee has proposed new election of an additional seven Ordinary Members - Mr Backer, Mr Hållén, Mr Johansson, Mr Johansson, Mr Johansson, Mr Johansson, Mr Johansson - and new election of one Deputy Member, Mr Johansson.

The Bank's Annual General Meeting on April 23, 1997, resolved that a total annual remuneration of not more than SEK 2,500,000 should be paid to the Board Members elected by the Annual General Meeting until the next Annual General Meeting has been held.

The complete proposal of the Election Committee is available from the Company Secretary, Sparbanken Sverige AB, Brunkebergsgatan 8, Stockholm.

The Election Committee, comprising Bertil Gunnarsson, former County Governor, Chairman, Lars Bråbäck, Chairman, Mr Erik Eriksson, President of AMF Pension, Thomas Hållén, President of the 9th National Pension Insurance Fund, Lars Johansson, Lawyer, Carl Axel Petri, former Chief Justice of Appeal and Arne Torsén, President of Umeå University, represents approximately 40 per cent of capital as well as voting rights in the Bank.

Underwriting loss of £40m hits Asian subsidiary of HSBC Holdings

Profits growth limited HSBC rues 'misjudgement' at Hongkong Bank

By Louise Lucas in Hong Kong

A £40m (\$65m) underwriting loss ended first-half results at Hongkong Bank Group, the Asian arm of HSBC Holdings. Operating profits rose 14 per cent to HK\$14.9bn (US\$1.9bn), but earnings at the attributable level were held to HK\$10.31bn, up 7 per cent.

Net interest income grew 11 per cent from HK\$14.64bn to HK\$16.31bn, in spite of a continuing squeeze on margins in Hong Kong following robust growth in loans to customers.

Costs grew rapidly, however, with total administrative expenses up 7 per cent to HK\$9.1bn and staff costs rising 10 per cent to HK\$5.3bn, in spite of lower pension costs.

At Hang Seng Bank, the group's 61 per cent-owned subsidiary and Hong Kong's second-biggest listed bank, net interest income was up by 9.8 per cent, from

HK\$5.01bn to HK\$5.5bn, also boosted by growth in advances, which helped offset the fall in residential mortgage pricing.

Analysts, who had been bracing themselves for a bigger margin squeeze, were impressed by Hang Seng Bank's small drop in net interest margin, from 3.12 per cent to 3.08 per cent. This was attributed to balance sheet flexibility.

Hang Seng Bank posted a 14.5 per cent increase in attributable profits at the interim stage, from HK\$4.35bn in the first half of 1996 to HK\$4.98bn in the same period this year, at the top end of market forecasts.

Dr Lee Quo-wei, chairman, described the results as satisfactory given the intense competition within the banking sector, especially in the mortgage market.

Looking ahead, he said China's resumption of sovereignty over Hong Kong on July 1 will lead to

closer economic interdependence and provide further impetus for growth in both places.

"Against this backdrop, the bank is well-positioned to build on its high liquidity, strong capital base, loan cost structure and well-established customer franchise to sustain business growth," he said.

Earnings per share at Hang Seng Bank rose 14.5 per cent from HK\$2.25 in the first half of 1996 to HK\$2.58 this year. The company proposes to lift the interim dividend to 11.1 per cent, from HK\$1.26 to HK\$1.40.

Provisions fell from HK\$220m to HK\$205m at Hang Seng Bank. At group level the net charge for bad and doubtful debts was 23.9 per cent higher at HK\$752m.

The bank said this related largely to growth in general provisioning, arising from its expanded loans portfolio, and said specific provisions fell sharply.

Flat costs help Midland to advance 27%

By George Graham, Banking Correspondent

Midland Bank, the UK arm of HSBC Holdings, raised first-half pre-tax profits 37 per cent to £283m (\$1.35bn) as its loan book rose 10 per cent to £105.5bn and costs stayed flat at £1.1bn.

Midland, which was rocked by costly overseas ventures when HSBC took control in 1992, has been

rebuilding its market share in the UK banking market. The first half profits are comfortably ahead of National Westminster Bank, which has said its own interim profits, to be announced this morning, will not exceed £770m.

Mr Keith Whitson, Midland chief executive, said tight control of expenses had kept costs to 56 per cent of income, an improvement

from 62 per cent in the same period a year earlier. The cost-income ratio for UK banking operations improved from 64 per cent to 57 per cent.

Sir Willie Purves, HSBC chairman, said it would be difficult for Midland to reduce costs further while business was expanding, with new telephone banking centres coming onstream both for the traditional bank

and for First Direct, its direct banking subsidiary. "The key for us is how to improve the revenue," he said.

Operating profits rose 30 per cent to £273m before provisions, helped by a first-time contribution from Ever-sholt, the rail leasing business bought in February by Midland's Forward Trust finance house.

Operating profits from

managing the group's portfolio of debt from less developed countries increased from £17m to £56m.

Recoveries of previously made bad debt provisions rose as a result of its decision to sell some of its LDC debt holdings to offset its increased exposure in Latin America following the acquisition of Bamerindus in Brazil and a number of other stakes in the region.

Posco advances 41% at midway

By John Burton in Seoul

South Korea's Pohang Iron and Steel (Posco), one of the world's largest steelmakers, reported provisional net profits for the first half of 1997 up by 41 per cent, to Won\$43.2bn (\$610.7m), as sales climbed 8.8 per cent to Won\$444bn.

Posco said it would easily meet its 1997 earnings target of Won\$99bn on sales of Won\$800bn, because of higher export prices in the second half. However, analysts expressed concerns about performance if Posco's joint bid (with Dongkuk Steel) for the bankrupt Hanbo steelworks succeeds.

First-half profits benefited from tight supply in the domestic steel market, which allowed Posco to increase prices.

Analysts said that Posco's profit margins are healthy because it is one of lowest

cost steel producers in the world due to the automation of its steel mills.

Earnings were also improved by lower depreciation costs and reduced capital investments as its programme to expand production capacity nears completion.

Posco will overtake Nippon Steel as the world's biggest steel maker this year if it succeeds in its bid for the Hanbo steelworks, the second largest in Korea.

However, Moody's, the US credit rating agency, last week placed its A2 unsecured debt rating of Posco under review for a possible downgrade because of the impact of the Hanbo deal.

Creditor banks have since rejected the initial \$2.2bn offer by Posco and Dongkuk for Hanbo as too low, but most analysts believe the banks will have little choice but to accept the bid.

Further job cuts at PLDT

By Neri Tenorio in Manila

Philippine Long Distance Telephone, the country's biggest telecoms operator, is to cut about 1,000 staff between the second half of 1997 and 1998, in addition to the 3,431 redundancies made over the last 18 months under a streamlining programme. About 350 employees may go by the end of this year.

Mr Edgardo del Fonso, PLDT chief financial officer, said the company had spent 1.35bn pesos (\$46.2m) on redundancy payments since the programme was launched in December 1995, and had set aside an additional 300m pesos for the new cuts. As of June, the company had a total workforce of 15,803, down from 18,273 at end-1996.

PLDT last month posted a 28.6 per cent increase in first-half net income, from 3.92bn pesos a year earlier to 5.03bn (\$150m), aided by a 708.1m peso gain from the sale of shares acquired earlier by Pilas, its mobile phone affiliate.

The extraordinary income more than offset redundancy payments of 585m pesos during January-June.

Foster's buys wine club

By Elizabeth Robinson in Sydney

Mildara Blass, the wine division of Foster's, the Australian drinks group, has acquired Cellarmaster Wines, the world's second-largest wine club operator.

The acquisition, for A\$160m (US\$117.5m) including borrowings, will form the third division of the international strategy, said Mr Ray King, Mildara Blass

chief executive. "Our overseas thrust has underpinned the reason for the purchase," Mildara Blass plans to produce wine outside Australia and expand its export business.

Mr King said that selling wine by mail order was more developed in Australia than anywhere in the world, accounting for between 13 and 14 per cent of all wine sales. This compares with about 5 per cent in the UK

and 2 per cent in the US. Cellarmaster is the market leader in Australian wine mail order with about 40 per cent of wine sales last year of A\$104m. "If Cellarmaster's success in Australia can be replicated overseas then it is a goldmine," said Mr King. It was considering entering the US, UK and South Africa, he added. Cellarmaster also markets healthcare products. Last year total sales were A\$154m.

SPARBANKEN SVERIGE
Swedbank

مكتبة الجليل

COMPANIES AND FINANCE: EUROPE

Scania slides 56% but sees upturn

By Greg McIvor in Stockholm

Soft demand in Europe led to a 56 per cent slide in first-half profits at Scania, but the Swedish truck and bus company said yesterday a market upturn would lead to more stable prices.

Pre-tax profits fell from SKr2.1bn to SKr1.3bn (\$162m) as Scania felt the impact of price erosion in its main market of western Europe. The decline would have been steeper but for a SKr400m gain from favourable exchange rate movements.

The figures were slightly below analysts' expectations, but hopes of a turnaround helped lift Scania's most-traded B shares SKr4.50 to SKr5.00.

Mr Leif Oestling, chief executive, said sales volumes were low and prices had come under pressure during the first six months. However, an improvement in demand for heavy trucks which began late in the first quarter had strengthened.

"A market upturn now seems to be occurring. In my experience, higher demand generally leads to

more stable prices," he said.

Order bookings for heavy trucks in western Europe rose 8 per cent, or by about 10 per cent in the second quarter against the first quarter. However, Scania said this would not affect earnings until the second half.

The west European truck market fell 11 per cent and Scania's own sales dropped 10 per cent.

Scania was also hit by an increase in costs from SKr12.6bn to SKr14.5bn, in spite of efforts to keep overheads down.

Group turnover was SKr18.9bn,

against SKr17.4bn a year ago.

The UK - Scania's biggest European market, and one in which it is market leader - France, the Netherlands and Italy all showed declines of more than 20 per cent. By contrast, Scania's German sales rose 3 per cent.

Scania's share of the west European market declined from 16.1 per cent to 15.4 per cent, taking it below its Swedish arch-rival Volvo to third place in the region behind Mercedes.

Scania sold 22,433 trucks and buses, a 3 per cent drop. Earnings

per share slipped from SKr7.55 to SKr5.

The UK was replaced as Scania's biggest single market by Brazil. Latin American sales rose from 4,263 units to 5,482 units.

In buses, Scania's west European market share slipped from 10.1 per cent to 8.1 per cent. Overall demand was flat.

The biggest drop was in the UK, where Scania registrations fell from 182 to 97. However, the group was confident of recapturing its position when its new 4-series bus is introduced this winter.

EUROPEAN NEWS DIGEST

Pripps Ringnes in PepsiCo deal

Pripps Ringnes, the Swedish-Norwegian beverages subsidiary of Orkla, the Norwegian conglomerate, has signed a bottling and licence agreement with PepsiCo of the US. It comes a year after Pripps Ringnes ended a long-standing collaboration with Coca-Cola after disagreements over strategy.

Orkla said it had agreed to enter an exclusive franchise agreement covering the production, distribution and sales of Pepsi-Cola and Seven-Up products in Sweden. Preliminary discussions are under way about a similar alliance in Norway. The new contract will help fill a void at Pripps Ringnes. The loss of the Coca-Cola contract deprived it of revenues of around SKr2.7bn (\$337m), or 35 per cent of its turnover. Orkla said the new agreement would come into force on January 1 2001, after the expiry of PepsiCo's existing bottling agreement with Spenndrup, the Swedish brewer.

Greg McIvor, Stockholm

■ AUSTRIA

Shareholders back bank merger

Plans for Austria's biggest initial public offering took a step forward yesterday after shareholders of Die Erste, Austria's fourth-biggest bank, and GiroCredit, the third biggest, supported the merger of the two groups to form Erste Bank.

Anteilsverwaltungsparke (AVS), the holding company of Die Erste, said holders of more than 75 per cent of the preference shares of both banks had endorsed the share conversion terms, which assure the merger will go through at the extraordinary meeting on August 21. The approval clears the way for an IPO in the fourth quarter of about one-third of the equity of the enlarged group. The issue is expected to raise Sch8.5bn-Sch10bn (\$612m-\$755m). Part of this will be used to pay off the Sch8.2bn purchase of GiroCredit.

William Hall, Zurich

■ RETAILING

BP forms venture in Portugal

UK oil group British Petroleum has formed a joint venture with Portuguese retailer Modelo Continente to develop convenience stores beside BP filling stations in Portugal. BP Portuguesa and Modelo Continente, part of the Sonae conglomerate, said yesterday the venture would open with a few pilot stores, but would be extended to a further 100 if the concept proved successful. Financial details were not disclosed. This is BP's second venture with a large European retailer. In September 1996, it signed an agreement with Safeway, the UK retailer, for 100 jointly-owned food and fuel sites.

Agencies, London

■ AIRLINES

Lufthansa, Finnair end agreement

Finnair of Finland and German carrier Lufthansa are winding down a six-year co-operation agreement which involved code-sharing and a joint frequent-flyer programme. The German airline said yesterday that the decision was necessary to "avoid conflicting interests in the Nordic market" arising from its agreement with Scandinavian Airlines System. Code-sharing will end on October 25, while the frequent-flyer programme will continue until the end of the year.

Agencies, Helsinki

Virgin empire eyes S Africa

Days before Virgin Atlantic launched daily flights to Johannesburg last month, Mr Richard Branson received a good luck message from striking staff at British Airways.

But while Mr Branson's ambitions may be welcomed by staff locked in an industrial dispute at a rival airline, Virgin's plans in Africa extend to other industries where competition will be less warmly received.

His bid for a bigger slice of the Heathrow-Johannesburg route, reckoned by Virgin to have contributed as much as 10 per cent of BA's pre-tax profits in the early 1990s, is the first serious challenge to the duopoly previously enjoyed by BA and the state-owned South African Airways.

It also heralds the arrival in South Africa of a raft of Virgin businesses, which are gearing up to test Africa's biggest emerging market. "We hope we can get one brand to help another," says Mr Branson. "Cosmetics and jeans will follow the airline. South Africans seem to read the British press a lot, and we've got a high brand profile there already."

Among the most serious contenders is Virgin Direct, which sells investment services by telephone, while Virgin Media last year formed a joint venture with Sowetan Megalomed, a community-based station in Soweto, to bid for a national commercial radio licence. The application was rejected by the country's first Independent Broadcasting Authority, but despite this defeat - and a ceiling of 25 per cent on foreign ownership of local broadcast media - Virgin is considering a bid for South Africa's first commercial terrestrial television channel.

"We wouldn't normally be



Virgin chief Richard Branson: 'Cosmetics and jeans will follow the airline'

Harvey Newman

interested in such a small stake," says Mr David Campbell, chief executive. "But we like the market. There is enthusiasm for a fresh start and good local partners."

A variety of fast moving consumer goods are also earmarked to follow Virgin Vodka, which arrived with the airline. These include Virgin Cola, cosmetics, and the staple fare of Virgin Megastores spanning CDs, videos and clothing. The stores will be designed with a view to accommodating Virgin Cinemas at a later stage.

A more promising market is tourism, where growth is thought largely untapped. Virgin Holidays launched its first packages in October - when the airline began flights, three times weekly, to Johannesburg - and aims to sell 5,000 holidays during its first full season.

"We have never sought to bring so many products to one country as quickly as we are doing in South Africa," says Ms Tracey Meaker, Virgin's corporate affairs director in Johannesburg.

Nevertheless, many of Virgin's prospects hinge on fur-

ther liberalisation of the highly concentrated South African economy.

Since 1992, when the airline began lobbying for commercially viable slots at Heathrow for its Johannesburg service, the number of carriers flying to Johannesburg from other international capitals has increased from 14 to at least 60.

Increased competition has reduced profits, strengthened the case for more rapid deregulation, and made South African Airways a strong candidate for privatisation. "We have to move fast," says Mr Mac Maharaj, minister of transport. "SAA is a wasting asset in an era of global alliances in the airline industry."

A tranche of between 25 and 49 per cent is to be privatised in the first half of 1998, and Virgin is contemplating a bid. Although SAA has forecast operating losses this year, bidding among international airlines is likely to be intense.

Should Virgin succeed, executives hope the privatisation could provide a vehicle to develop a pan-African carrier. It recently

dropped an offer to buy Sun Air, a small domestic airline, because the conditions of the sale prevented further expansion in the sub-Sahara.

But most testing of all will be the soft drinks market. Two months ago Pepsi admitted defeat at the hands of Coca-Cola. Analysts say that without investment of at least \$200m in new infrastructure and distribution, Virgin Cola will depend on off-the-shelf sales through established retail chains. "We've had a lot of no-name brands come through supermarkets, and none have achieved more than 5-7 per cent of the market," says Mr Murray Winckler, head of research at Deutsche Morgan Grenfell.

Virgin is undeterred by past failures. The group has a record of tackling highly concentrated markets, says Mr Will Whitehorn, the group's director of corporate affairs. "South Africa does not have the monopoly on this kind of thing. These are today's problems, they may not be tomorrow's."

Mark Ashurst

New products behind sharp rise at Teva

By Avi Machlis in Tel Aviv

Teva Pharmaceuticals, Israel's biggest drugs manufacturer, yesterday said healthy sales of new products were behind its 91 per cent surge in net income for the first half of the year.

Net income jumped from \$34m in the first half of 1996 to \$65m in the same period this year.

The year-ago figure excludes a one-off charge of \$15m after tax for the merger with Biocraft of the US in May last year.

Sales climbed 22 per cent from \$440m to \$538m over the same period.

Earnings per American Depositary Receipt rose from 56 cents in the first half last year, excluding the one-off charge, to \$1.06 this time.

The company also announced an interim cash dividend of Shk0.30 for the second quarter of 1997, to be paid on September 11.

Analysts said Teva's results were in line with expectations.

Teva declined to release initial sales figures for Copaxone, its multiple sclerosis treatment, which it began selling in the US during the second quarter this year.

Mr Dan Suesskind, chief financial officer, said the

company would wait until it had gathered more data.

Copaxone is expected to be Teva's main source of growth in the coming years. Analysts predict it could bring in additional annual revenues of up to \$300m.

Teva said about 4,000 multiple sclerosis patients in the US were using Copaxone, and 1,000 new patients were starting the drug each month.

"We feel that we have the majority of new prescriptions," said Mr Suesskind. "More new patients are selecting Copaxone over the competition."

Lehman Brothers, the investment bank, estimated in a report that Teva had captured 23 per cent of the US multiple sclerosis treatment market as of late June.

Mr Eli Hurvitz, Teva chief executive officer, said Copaxone sales would begin to be reflected in financial results next year.

Teva hopes to receive marketing approval for Copaxone in Canada by this autumn.

It is also waiting for approval to market the drug in the UK. It expects to receive this during 1997 and aims to use the UK as a springboard for continental Europe.

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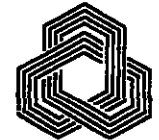
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July 1997

COMPANIES AND FINANCE: THE AMERICAS

PolyGram poised to shake up Motown

By Alice Rawsthorn

PolyGram, the Dutch entertainment group, is expected to merge the management of Motown Records, the legendary US soul label, into that of Mercury, the US-based record company behind Bon Jovi and Hanson.

The move raises questions about the future of Mr André Harrell, the high-profile record executive appointed chairman of Motown less than two years ago. Under the new regime, he will report to Mr Danny Goldberg, Mercury chairman.

PolyGram declined to comment on speculation about the merger, or Mr Harrell's future.

However, the Dutch group is known to be disappointed by his lack of progress in rejuvenating Motown, and a formal announcement is likely within a few weeks.

Under Mr Berry Gordy, its founder, Motown became the most successful black record label of the 1960s and 1970s, with a series of hits from Marvin Gaye, Stevie Wonder, The Jackson Five and the Supremes.

However, Motown failed to adapt

to the changes in the black music market during the 1980s and early 1990s, leaving younger labels to exploit the buoyant new genres of rap and hip-hop.

PolyGram bought Motown for \$301m in 1993 from Boston Ventures, a private investment company. It has since attempted to revitalise the label. Mr Harrell, 37, was headhunted to run Motown in October 1995, when he was reported to have been paid a \$10m signing fee.

Once a minor rap artist, he made

his name in the music business in 1986 by founding Uptown Entertainment, a record label owned by Universal Music (now part of Seagram, the Canadian drinks group), which nurtured a string of best-selling hip-hop acts including Heavy D. and Mary J. Blige.

In spite of having signed dozens of new acts to Motown, Mr Harrell has yet to produce enough hits to satisfy PolyGram.

After the merger, Motown is expected to retain its own brand identity and roster of artists, but it will come under the administra-

tive aegis of Mr Goldberg at Mercury.

Mr Goldberg has had considerable success at Mercury since he joined the label a couple of weeks after Mr Harrell's appointment to Motown.

Mercury, like Motown, desperately needed to modernise its roster. Several new acts signed by Mr Goldberg, a former Warner Music executive, have already yielded hits, including Hanson, the boy band which has sold nearly 4m copies of its debut album world-

A maverick David to Mexico's Goliaths

Ricardo Salinas Pliego has attracted much controversy in his battles with the corporate establishment

In the course of his meteoric rise from white goods salesman to media mogul, Mr Ricardo Salinas Pliego, the 41-year-old owner of Mexico's TV Azteca and Elektra chain of retail stores, has dodged political scandals and fallen out with business partners - yet he has not been afraid to take on the Goliaths of Mexico's corporate establishment.

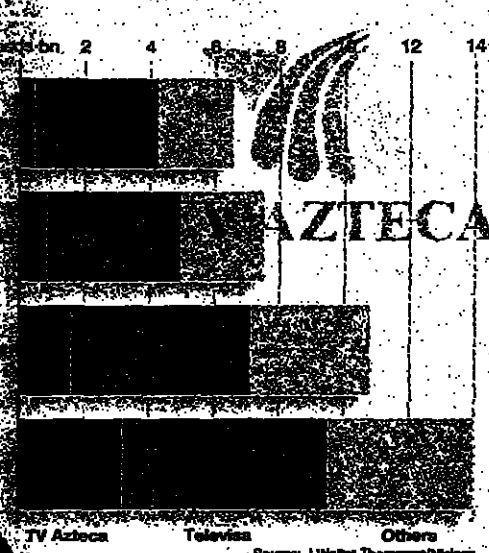
His brazenness and personal wealth, estimated by Forbes magazine at \$1.7bn, have made him a controversial figure in Mexico.

Mr Salinas Pliego's plans to float TV Azteca on the Mexico City and New York stock exchanges within the next two months have put him back in the news. The placement of 22 per cent of Mexico's second-largest broadcaster, the only serious competitor to Televisa, is expected to fetch between \$500m and \$570m.

Unlike most initial public offerings, however, the proceeds will not go towards financing the expansion of TV Azteca. Instead, the bounty will be used to patch up the quarrel between Mr Salinas Pliego and his business associates that threatened to tear TV Azteca apart.

When the Mexican government privatised two television networks in 1993, Mr Salinas Pliego and the Saba

Mexican media advertising



family, wealthy property and textile barons, presented the winning \$641m bid.

Mr Salinas Pliego and the Sabas each raised \$200m, with a small group of investors contributing \$70m and the remainder coming from bank loans in the form of convertible bonds.

When the loans were paid off this year, Mr Salinas Pliego is understood to have privately acquired the stock options held by the banks. This raised his shareholding in TV Azteca from 48 per cent to 66 per cent.

The Sabas were far from thrilled to discover that their shareholding had in effect been diluted, and threatened to take the dispute to government arbitration.

After weeks of acrimony, both sides agreed to float TV Azteca, a solution that will allow Mr Moisés Saba and Mr Alberto Saba to realise investments that have more than tripled in value.

The float is expected to attract strong demand, as TV Azteca is cash-rich and its potential to grow at the expense of Televisa, Mexico's

to corner 30 per cent of the television advertising market, the company said.

Net revenues of 1,538m pesos (\$192m) in the first half of 1997 compared with 713m pesos a year before, while net profits rose from 498m pesos in the first half of 1996 to 618m pesos.

The Sabas are not the only partners Mr Salinas Pliego has alienated. Last April, NBC, the US broadcaster, requested the intervention of the Paris-based International Chamber of Commerce over a \$28m dispute with TV Azteca.

NBC claims it is owed \$5.5m for providing management expertise and programming. Mr Salinas Pliego took over the two sibling government networks. But TV Azteca alleges NBC did not live up to its part of the bargain and therefore it owes the US network nothing.

Mr Salinas Pliego also took considerable political heat last year for his links with Mr Raúl Salinas de Gortari, the disgraced elder brother of Mr Carlos Salinas de Gortari, Mexico's former president. Mr Raúl Salinas has been in jail since 1985 awaiting trial on charges of murder, "inexplicable enrichment" and forgery.

In spite of, or perhaps because of, the controversy that surrounds him, Mr Sal-

nas Pliego has many admirers in Mexico. "He is simply brilliant - always three steps ahead of the opposition," says a TV Azteca minority shareholder.

But some investors are concerned about the barter arrangements between Elektra, a publicly traded company with a market capitalisation of \$1.7bn, and the privately-owned TV Azteca.

Mr Salinas Pliego's family owns 80 per cent of the retail chain and got deeply into debt through Elektra to finance his original \$200m stake in TV Azteca. Mr Salinas Pliego sold 20 per cent of the broadcaster to Elektra to pay off his debts. He has also used TV Azteca exhaustively to advertise Elektra's hire-purchase schemes for low-income families.

Standard & Poor's, the US credit rating agency, has warned that there is some concern over the dominance of the principal shareholder.

"In the past couple of years Elektra has provided funding to TV Azteca via cash and certain barter arrangements," S&P says in a report on the TV company. "The economic incentive to provide such support results from the common ownership and is the basis for viewing the separate operations on a consolidated basis."

Leslie Crawford

AMERICAS NEWS DIGEST

Jobs link lifts Apple shares

Shares in Apple Computer continued to edge upwards yesterday as investors pinned their hopes on the leadership of Mr Steve Jobs, the charismatic Apple co-founder who is steering efforts to get the company back on track. Although still acting in the unofficial capacity of a "part-time adviser" to Apple management and boards, Mr Jobs was setting the company's agenda, industry analysts said.

"Chairman or not, Steve is in charge," said Mr Tim Bajarin, president of Creative Strategies, a market research group. Last week Mr Jobs denied plans to take on the role of chairman, but analysts are convinced that he will play a leading role in the company's future.

Mr Jobs is expected to use a speech at a Boston trade show on Wednesday to announce new board members, including Mr Larry Ellison, chairman and chief executive of Oracle. There is also broad speculation that Mr Jobs may take a position on the Apple board.

"Apple is in a tenuous position at best," said Mr Bajarin. He added that while most of the blame for the company's decline and mounting losses has fallen on Mr Gil Amelio, who resigned last month from his post as chief executive, and his predecessor, Mr Michael Spindler, Apple's inactive board had much to answer for. The company "needs an active, industry-driven board" to map its future.

The next challenge will be to find a chief executive for Apple. In the meantime, Apple must stem its declining market share. The company is focusing immediate attention on market segments such as education and publishing where it aims to defend its relatively strong position. It is also understood to be accelerating development of a low-cost "network computer", or terminal that could be used for home or office access to the Internet.

In mid-session yesterday Apple shares were trading at \$19.50, up 8%. On Friday, the shares jumped 15 per cent from \$17.50.

Louise Kehoe, San Francisco

ENDESA

Enersis management to remain

Endesa of Spain's proposed purchase of a controlling stake in Enersis, Chile's biggest electricity group and its biggest private company, will leave the current management in place until at least 2000.

Endesa will appoint an adviser to the board and the chief executive officer as soon as the deal is completed, but will not take a seat on the board until the annual meeting in 2000. A group of 14 executives are understood to have five-year management contracts which expire in 2002.

Endesa is proposing to buy out the manager-worker shareholders in Enersis, a holding company with subsidiaries in Chile, Argentina, Brazil, Peru and Colombia with a market value of almost \$5bn. It aims to acquire 100 per cent of the five publicly-traded investment companies, known as the Chispas, which are collectively the single largest shareholder with a 29.04 per cent stake. Endesa will make a public tender offering of 220 pesos per share, with a 40 peso premium for shares owned by workers at the company.

The Chispas shareholders have the option of exchanging their stake for shares in Endesa via Enroluz, a new investment company. They are being offered a preferred price of Pta2,841 a share - Endesa was trading at Pta3,200 on Friday - for up to 5 per cent of the company.

Endesa expects to pay up to \$1.2bn for the Chispas shares, depending on the extent of the share swap, and will subscribe a proportional (29 per cent) share in a \$1bn capital increase planned for early next year, bringing its total investment close to \$1.5bn. Imogen Mark, Santiago

GENERAL MOTORS

\$2.5bn share buy-back completed

General Motors yesterday has completed a \$2.5bn buy-back of 43.7m shares over the past six months and has approved a plan to repurchase an additional \$2.5bn in stock.

In a press release, General Motors said yesterday that the latest buy-back programme, to be conducted over a 12-month period, represented about 5 per cent of the company's outstanding shares. The programmes were aimed at boosting the investment value of the company's stock, it said.

In early trading yesterday General Motors shares fell \$2 to \$62.50.

AP-DJ, Detroit

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

This announcement appears as a matter of record only



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Notes due 1997

and

Issue of U.S.\$28,000,000 12 per cent

Notes due 1997

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12 per cent Notes due 1997 together, the

"Notes" of Banco Fibra S.A. (the "Issuer"),

that the Issuer has agreed with West

Merrill Bank Limited as arranger that,

subject to satisfaction of certain conditions

precedents, the Notes will be amended with

effect from 11 August 1997 to extend their

final maturity to 6 February 1998. At the

same time a number of other modifications

will be made to the Terms and Conditions of

the Notes (the "Conclusions").

All sums due in respect of the Notes on 11

August 1997 will be valid. Notes and

relevant coupons must still be presented and

surrendered to the Paying Bank (as defined

in the Conditions) as a precondition for

payment of such sums.

For further information, holders of Notes

should contact WMB Capital Markets on

+44 171 623 8711 at 33-36 Gracechurch

Street, London EC3N 3AX by 5.00 p.m.

(London time) on Thursday, 7 August 1997.

The date of this Notice is 5 August 1997.

The Financial Times plans to publish a Survey on

Bermuda

on Monday, November 3

For further information, please contact:

Maria McCoy

Tel: +44 171 873 4358

Fax: +44 171 873 3204

Penny Scott

Tel: +212 745 1346

Fax: +212 319 0704

or your usual Financial Times representative

FT Surveys

Shareholders' attention is drawn to an announcement by Gold Fields of South Africa Limited, published today, relating to a possible acquisition of the coal interests of JCI Limited.

Such acquisition could have an impact on GF Coal.

Shareholders are accordingly advised to exercise caution in any dealings in the shares of the company.

A further announcement will be published in due course.

Johannesburg

4 August 1997

Advisers to GF Coal

SCMB

Standard Corporate and Merchant Bank

Following discussions over a number of weeks shareholders are advised that the company has submitted an offer to JCI Limited (JCI) to acquire JCI's coal interests.

Should this offer be accepted, it is likely to lead to a restructuring of coal interests within the Gold Fields Group.

Shareholders are accordingly advised to exercise caution in any dealings in the shares of the company.

A further announcement will be published in due course.

Johannesburg

4 August 1997

Advisers to the company

SCMB

Standard Corporate and Merchant Bank

مركز التمويل

COMPANIES AND FINANCE: UK

Group takes option to buy biotech company, Cambridge Combinatorial Oxford Molecular turns to drugs

By Roger Taylor

Oxford Molecular, the pharmaceutical software company run by Mr Tony Marchington, has taken an option to buy Cambridge Combinatorial, the biotechnology company recently set up by Mr Marchington's brother Alan.

Mr Tony Marchington said yesterday he was also close to establishing a third business involved in the rapid testing of new drugs.

The moves are intended to turn OM from a company which designs software into one which designs new drugs.

OM's information technology, together with Cambridge Combinatorial's chemistry and planned new screening facility, would give the company the skills needed to manage drug discovery programmes either as a service for other pharmaceutical groups or on its own account.

Cambridge Combinatorial was set up in February with a £2m (\$3.3m) investment

from OM in return for a 20 per cent stake.

Yesterday OM said it was investing a further £2m in return for non-voting preference shares and an option to buy the 78 per cent of the company owned by management for up to £23.4m.

The remaining 2 per cent is held by Cambridge University.

Mr Marchington made clear yesterday that he planned to exercise the option which expires at the end of 1998. He added that Cambridge Combinatorial was likely to move into profit this year and had four new contracts on the table.

Mr Marchington said would set up the screening business in the same way as Cambridge Combinatorial. OM would provide seed capital and would take an option to buy in the business once it had become profitable.

His comments came as OM announced a fall in pre-tax losses to £877,000 for the six months to June 30, compared with £950,000.

Analysts said the company



Tony Marchington (l) and Andrew Maunder, then finance director, announce the 1994 float

is expected to move into profit this year. Sales rose 42 per cent to £6.17m (£4.35m) following several product launches in April, but profits

were held back by a near-doubling in research expenditure to £2.2m.

The company ended the half year with net cash of

about £21m after a rights issue in May. The shares closed up 3 1/2p at 348 1/2p, compared with a rights issue price of 380p.

Few prizes at this quiz

Raymond Snoddy puts the questions to Pearson's Marjorie Scardino but is left asking for clues

Mrs Marjorie Scardino, chief executive of Pearson, the media and information group, chose the studios where the game show *Give Us A Clue* is shot to outline the group's pre-tax profits of £81m (\$132m) for the first half of the year.

The profit figure was good, although in line with expectations. But what most journalists and analysts were looking for were more precise clues on what Pearson's future strategy will be, and whether Mrs Scardino intends to narrow the focus of the group. Its interests range from education and information to entertainment and merchant banking.

Mrs Scardino did not score highly on yesterday's long-term quiz game, although she did give a few very oblique clues, which will take time to decipher. She made it clear she had started to take some decisions on the future shape of the group, but as far as the outside world is concerned

all options remain open.

The answers Mrs Scardino was prepared to give yesterday included setting what most analysts regarded as demanding goals: double digit earnings per share growth every year and a doubling of the value of the company during the next five years.

"We have the people and the franchisees to achieve it, and our shareholders have reason to expect it," she said. "These are tough targets. We hope to sweat the businesses without causing them to go into cardiac arrest."

Mrs Scardino was explicit about how she is seeking to improve the performance of Pearson. New revenue opportunities will be sought in everything from the international expansion of the Financial Times, which increased its operating profits from £3.5m to £22.4m, to creative rights management.

Pearson did give a few more clues yesterday on its criteria for the businesses it

wants to keep and develop, rather than sell. They should be distinctive franchises, which are difficult to replicate. They should already be first or second in their markets, or capable of becoming so.

It is clear, however, that Pearson is likely to sell one of its leading businesses to provide capital to develop others fully. Net debt was £555m on June 30, compared with shareholders' funds of £386.6m - after £1.94bn of goodwill write-offs.

Many believe that Tussauds is among the most likely to be sold, yet it is unlikely if not a distinctive franchise. Pearson education is fourth in its market, but Mrs Scardino believes it is capable of being first. Television is a fast growth area; information is almost certainly at the heart of her plans for the future.

As Mrs Scardino disguises her disposal intentions by lavishly praising all her "charges", analysts are left to ask: "Give Us A Clue".

Shire Pharmaceuticals buys Richwood for £113m

By Roger Taylor

Shire Pharmaceuticals, the rapidly growing UK drugs company, has bought Richwood Pharmaceutical of the US for £113.5m (\$185m) just five months after its £104.5m acquisition of Pharmavene, another US company.

Richwood, a private company based in Florence, Kentucky, and owned by its management and a number of US institutional backers, has 73 sales representatives in the US and makes most of its profits from manufacturing and selling Adderall and Dextrostat, two amphetamine-based drugs used in the US to treat children with attention deficit disorder.

Mr Rolf Stahl, chief executive, said the acquisition was in line with his strategy of building a sales force in most of the leading world markets.

Unlike most other smaller biotechnology groups, Shire aims to be an integrated pharmaceutical company, with its own international marketing capability. The latest deal will mean a tripling in market capitalisation since floating last year.

Analysts welcomed the move, saying the addition of a US salesforce made strategic sense. But some questioned the decision to move into the controversial area of amphetamines.

Medeva, the UK pharmaceuticals company that has served as a model for Shire, recently saw its share price fall sharply after sales of an amphetamine-based slimming pill collapsed as a result of health concerns. Revenues from Adderall and Dextrostat accounted for 83 per cent of Richwood's £15.2m turnover last year.

Sales have been rising

sharply, with Adderall taking 5 per cent of the \$457m market for attention deficit disorder treatments, since it became available 15 months ago.

Profits are forecast to rise from \$1.7m last year to \$17m this year and the company has guaranteed that first half profits will not be less than \$7.5m.

Analysts said Shire was paying a high but not excessive price at just over 10 times forecast profits for 1997. Some \$145.8m of the \$185.7m price will be paid with the issue of 37.8m new shares or one-third of the company's enlarged share capital. A further \$15m will be paid in cash.

Shire also announced it would seek a US listing next year through an American Depository Receipt facility, which might be accompanied by a small fund raising.



PARASITE



CRIMINAL



FOREIGN TRASH



PIG



TROUBLEMAKER



FREELoader



VERMIN



SLACKER



SCUM



REFUGEE



YOU



ME

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You see, refugees are like you and me. So what's the difference? Really only one: fear.

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That's why they are refugees. Of course they wish they were back home—wouldn't you? But it's still too dangerous, and for now we must continue to offer them our protection.

So please, don't get mad at refugees.

Instead, save your breath for the situation that's made them refugees.



United Nations High Commissioner for Refugees

ERAMET GROUP

Shareholders' General Assembly of July 31, 1997

The Shareholders' General Meeting of Eramet was held on July 31, 1997 under the Chairmanship of Mr Yves Rambaud. The Meeting approved the accounts for the year 1996 and the distribution of a net dividend of FRF 6.60 per share, i.e. FRF 9.90 per share including fiscal credit, which will be paid on August 8, 1997.

The Meeting approved the modifications of the Company bylaws required to put them in conformity with the requirements of the law on the democratization of the public sector: pursuant to this law, three directors were elected by the employees on June 26, 1997: Mrs Liliane Floris, Mr Gérard Mandard, Mr Roland Schneider.

The applications of Messrs. Paul Néaoutyine and Gaël Yvarin having not been maintained, the Meeting approved the appointment as Directors for a period of five years of Messrs. Olivier Appert, Rémy Chardon, Henri Guillaume, Eric Guivry, François Joven, Aimery Langlois-Meurinne, Yves le Bars, Jean-Daniel Levi, George Tlovy, Sébastien Ramel, Yves Rambaud, Philippe Rouvillois, Gilbert Rutman, Wilhelm Schelder and ERAP represented by Mr Yves Bernard.

The Meeting sharing certain of the concerns expressed by some shareholders, approved various resolutions concerning in particular the composition of the Board of directors and its functioning, in accordance with the principles of corporate governance.

The Meeting also approved the issue of convertible bonds reserved to Gengon which finances the acquisition by Eramet of a further 15% of Comilog, of which Eramet owns from now on 61% of the share capital.

During its address to the Shareholders, concerning the situation of the Group in the 1st half of 1997, the Chairman said: "The situation on our three markets improved by comparison with the low point in the 2nd half of 1996, but without a return to conditions comparable to the ones noted in the 1st half of 1996. In the 1st half, the 46% holding in Comilog will still be equity accounted. On this basis the Group's net result will be higher than in the second half of 1996, and it should be at least equal to the one recorded for the 1st half of 1996 (but which did not take Comilog into account)".

He also said that he does not anticipate major changes on the Group's main markets in the 2nd half of 1997 and that the recent decline in the nickel price could be offset, at least partly, by the rise in the dollar's value.

Finally, the Chairman, while reminding that there are still important issues in New Caledonia and that the Group operates on extremely critical markets, however underlined the cohesion of the Group and its remarkable ability to face up to tests. He closed his address by a message of confidence in the future: cautious but reasoned confidence.

During the Board Meeting which followed the Shareholders' General Meeting, Mr Yves Rambaud was unanimously reelected as Chairman and Chief Executive Officer of Eramet.

ERAMET

NICKEL - HIGH SPEED STEELS - MANGANESE

For further information, contact: Alain Roy, Investor Relations (Eramet, Paris)
33.1.45.38.42.02 - Internet: <http://www.eramet.com>

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COMPANIES AND FINANCE: UK

Knives are sharpened for the cull

Jean Eaglesham puts the investment trust industry in the psychiatrist's chair

A recent flurry of activity among investment trusts is causing great angst in this £20bn (\$22bn) industry. "I've had to cancel my holiday twice. All it needs now is a takeover announcement and my wife will divorce me," said one broker last week.

Events that have shaken investors include a proposal to wind up the Fleming Far Eastern Investment Trust, which has a market capitalisation of £513m, and the vote by shareholders in the Murray European Investment Trust, capitalised at £30m, to oust manager Murray Johnstone in favour of rival Perpetual.

Investment trusts are often thought of as a fairly quiet backwater of the stock market. During the heady days of 1993 and early 1994, when most trusts traded at premiums to their asset values, the main excitement was in forecasting how many millions each new issue would bring in.

But now things look very different. Mercury Asset

Management failed last month to raise its modest target of £30m for a new retirement investment trust.

The talk is of money leaving the sector, rather than coming in. "We are seeing the flip side of the hare-brained enthusiasm for trusts at asset value which we endured during the end of 1993," says Merrill Lynch. "Because the upswing was accompanied by so much enthusiastic fund raising, the downswing may be accompanied with more bloodletting than usual."

Certainly, the conditions look right for a cull. A sustained period of under-performance over the last two years, while both London and Wall Street have enjoyed roaring bull markets, has strained the patience of shareholders. At the same time, some firms of US arbitrageurs have built up substantial stakes. The predators have been attracted by widening discounts to asset values - the average discount has more

than doubled since the start of 1994 from 4 per cent to more than 11 per cent and is still rising.

However, analysts believe this does not necessarily herald a wave of takeovers or break-ups. "Each deal is difficult. You cannot just march in there with your big boots on and say 'I want my money back'. You have to understand the trust's capital structure, the attitudes of the other shareholders and the politics of it all," says Mr Hamish Buchan, of NatWest Securities.

He says last month's Fleming Far Eastern deal, which is likely to result in shareholders taking about £350m in cash, is not that big relative to previous deals. Allowing for the increase in the value of money, he calculates it is only the 18th biggest outflow from the sector since 1980.

Nonetheless, he believes "there may well be more deals. The sector is definitely in a downbeat mood". Others agree. "There are a goodly number of trusts on

discounts in the mid to high teens, which we regard as the danger zone. When ratings on mainstream trusts without blocking stakes hover in this area for too long, they tend to acquire the wrong sort of shareholder," warns Merrill Lynch.

This "wrong sort" comes in a number of guises. The first is a fellow, unfriendly, trust. Last year's break-up of Kleinwort European Privatisation Investment Trust was triggered by a bid from the Henderson-managed TR European Growth Trust. But bids from trusts will probably remain fairly rare, simply because shareholders are likely to prefer cash to investment trust paper.

Instead, fund managers are keeping a nervous eye on the arbitrageur. Some US firms, such as Sierra Trading and Elliott Associates, have built up stakes of more than 10 per cent in some trusts. These firms are usually limited partnerships, run for rich US individuals, which specialise in making profits

from discrepancies between company assets and prices. Investment trusts look a happy hunting ground for the arbitrageur, who tends to work behind the scenes putting pressure on trusts and managers. "Typically, the arbitrageur would prefer to come to an agreement with a trust rather than have an open battle," says Mr Arthur Copple, at Merrill Lynch.

Sometimes, the arbitrageur's presence can precipitate shareholder-friendly action. Fleming, for example, says its decision to wind up Fleming Far Eastern was made without any contact from Elliott Associates, which had taken a 12 per cent stake.

At least with the arbitrageur, the fund managers know not to expect a friendly, supportive shareholder. But their real fear is that the big UK institutions who control much of the industry will turn nasty. Mr Colin McLean, who runs the predatory Scottish Value Trust, believes "the institutions have got the bit between their teeth. I think there will be

In a downbeat mood



a lot more activity".

But most observers believe investors will be loath to rock the cosy City of London boat. "An awful lot of people will not put their head above the parapet. It is down to politics," says Mr Buchan.

This is illustrated by the attempt to launch two UK vulture funds, designed to pick off ailing trusts. SBC Warburg, one of the most prominent participants in

the market, provisionally agreed to sponsor Marshall Securities' planned launch of the Paragon trusts. However, once word got round that it was involved in the deal a number of trust managers are said to have had a quiet word. In June, Warburg announced that it had "decided not to proceed". The vultures are now seeking some other firm to help them fly.

The industry's defenders believe it is time to start fighting back. Mr Michael Hart, the Foreign & Colonial stalwart who takes over the chairmanship of the Association of Investment Trust Companies at the end of this year, says: "Investment trusts offer excellent value. It is said that they are the best kept secret in the City. They must start shouting from the rooftops."

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends Corresponding Dividend	Total for year	Total last year
British Airways	3 mths to June 30	2,218 (1,103)	220p (150)	16.31 (11.9)	-	-	-	15.05
British Airways	Yr to May 31	46.8 (33.4)	4.06 (3.25)	5.52 (5.59)	1	Nov 3	1.25	41
BT	6 mths to June 30	-	2,820p (2,321p)	65.53 (60.14)	20	Oct 2	15	-
BT	Yr to Mar 31	10.4 (9.26)	4.18 (3.84)	13.1 (12.7)	4	Oct 7	3.4	6.3
BT	Yr to Mar 31	141.4 (133.9)	6.53 (6.85)	6.8 (6.64)	5	Oct 3	2	6
Oxford Molecular	6 mths to June 30	6.17 (4.35)	0.677 (0.51)	1.11 (1.7)	-	-	-	-
Pearson	6 mths to June 30	957.6 (939.6)	80.7p (80.2p)	11.11 (2.8)	7.5	Oct 31	6.8	18
Zetefarms	6 mths to June 30	12.1 (10.3)	4.03 (3.05)	7.8 (5.8)	2.2	Sept 18	2	6
Investment Trusts	NAV (p)	Attributable Earnings (£m)	EPS (p)	Current dividend (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Mid Wynd Ltd	Yr to June 30	542.5 (490.7)	0.426 (0.388)	6.47 (7.71)	4.5	Oct 8	4.1	7.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *After exceptional charge. *After exceptional credit. †On increased capital.

*Comparatives restated. †Gross premiums written.

Sedgwick confirms Italian venture

Sedgwick Group, the UK's biggest insurance broker, yesterday confirmed a £50m (£82m) joint venture with Italy's leading broker, Nikols Brichetto, writes Charis Greaser.

Sedgwick said the venture, which would merge some of its risk services, insurance and reinsurance broking with those of Nikols', would

enhance 1996 earnings. Sedgwick's shares closed down 14p at 116 1/2p.

Nikols, a unit of the Securfin group, will own 51 per cent, of the new entity, which will be the largest broker in the Italian market.

Sedgwick will own 49 per cent of the equity, but its directors will have a majority of voting rights on the

merged board. Nikols chairman, Mrs Letizia Moratti, will serve as executive chairman of Nikols Sedgwick and will join the Sedgwick Group board.

Nikols is contributing businesses with £39.2m worth of fees and brokerage in 1996, while Sedgwick's contribution is £12.4m in 1996 fees and brokerage, plus a balancing payment of £10m on completion.

Sedgwick said the deal would create an "important broking and consulting force in southern Europe and Latin America". Mr Sax Riley, Sedgwick's chairman, added: "The joint venture will lead to an increased flow of business to our London market operations."

BUSINESSES FOR SALE



INVITATION TO SUBMIT BINDING OFFERS FOR THE ACQUISITION OF THE SHARES OF MEL S.A.

On the basis of Article 6, para. 1 (b) of L. 2000/91 it is announced that the company MEL, MACEDONIAN PAPERMILLS SA ("MEL" or the "Company") is offered for sale. The procedure to be followed is that of an international Public Tender Offering under the following terms and conditions:

a. THE OBJECT OF THE SALE

The transaction refers to the sale of 11,836,019 nominal voting shares representing 99.99% of the Company's total common voting shares. The shareholders wishing to transfer their holdings are the INDUSTRIAL RECONSTRUCTION ORGANIZATION (I.R.O.) S.A., which holds 8,588,065 shares and the National Bank of Greece S.A. (NBG), with 3,247,954 shares. The offers to be submitted by interested parties must refer to the total amount of shares for offered sale.

b. SUMMARY INFORMATION

MEL was established in 1964, and engages in the production of coated and noncoated solid board of various weights and qualities. The Company's client base consists of small and large scale sheet plants. It's self owned production facilities are situated 22 km outside the town of Thessaloniki (in Northern Greece). MEL is the largest Greek producer of its kind and controls an estimated 20% of the domestic market in its products. Furthermore, the Company owns significant real estate assets, unrelated to its main productive activity. The Company currently employs 186 people. The following table presents key financial information for the past five years (amounts in mill. drs.):

	1992	1993	1994	1995	1996
Turnover	2,908	2,602	3,598	5,085	4,438
Pre-tax results	-25	-64	38	330	9
Total Assets	4,854	5,211	5,163	5,804	6,408
Total own capital	3,036	2,965	3,003	3,296	3,713

c. FINANCIAL ADVISOR TO THE IRO FOR THE SALE

The role of Financial Advisor to the IRO for the sale is assigned jointly to the BANK OF AMERICA NT & S. (39 Panepistimiou Str. 105 64 Athens, Tel: 3285227, Fax: 3241936, Responsible: Mr. Y. Bravos) and ETEBA S.A. (12-14 Amalias Ave. 102 36 Athens, Tel: 3296470 Fax: 3296323, Responsible: Mr. G. Koutsoudakis).

d. TERMS AND CONDITIONS FOR SUBMITTING BINDING OFFERS

1. The present tender will take place in accordance with the provisions of Article 6, para. 1 (b) of L. 2000/91 as enforced today, the terms included in this invitation as well as in accordance with the terms provided for in the relative "Offering Procedures Letter", which will be made available to the interested parties from the Advisers' premises, regardless of whether such terms are repeated or not herein. Submission of an offer implies the acceptance without any reservations of these terms by the bidder. Reservations or proposals of different terms and conditions will be disregarded.

2. Interested parties are invited to submit sealed binding offers at the premises of the Notary Public Mrs Paraskevi Iliopoulou, 15 Mavromihali St Athens 106 79, Tel: (301) 3604268, not later than 13:00 hours on Friday, October 10, 1997. The submission of the offer must be made in person or through a duly authorized for that purpose representative. Overdue offers will not be accepted and will not be taken into consideration.

3. All offers must be accompanied, on the penalty of nullity of the offer, by a Letter of Guarantee to the amount of two hundred and fifty million drs. (250,000,000 drs.) issued by a Bank legally operating in Greece, valid, in the case of low bidders until the awarding of the sale of the Company to the successful bidder and in the case of the highest bidder until the signing of the Share Purchase Agreement and in any case expiring not later than February 15, 1998. The text of the Letter of Guarantee is set forth in the "Offering Procedures Letter".

4. The unsealing of the offers submitted will take place in the premises of the abovementioned Notary at 14:00 hours on Friday, October 10, 1997 and can be attended by all those who have submitted a timely offer.

5. The offers must be submitted on the basis of a final Draft Share Purchase Agreement as it will be finalised after the receipt and possible incorporation into it of any remarks by interested parties, and which will be handed to the bidder by the letter by September 25, 1997 at the latest. Interested parties will have at their disposal adequate time to review and audit the Company and form their own view on its condition. The submission of an offer implies that the interested party is fully aware of the true and legal position of the Company and no additional terms will be accepted over and above those included in the final Draft Share Purchase Agreement.

6. Offers must explicitly mention the total price offered as well as the way and time (in case of instalments) of payment. A credit for the price is acceptable provided that at least 25% of the total amount offered is paid in cash upon the signing of the Share Purchase Agreement, while the rest will be payable in semi-annual or annual instalments, the first not later than a year from the signing of the Share Purchase Agreement and upon the condition that it is secured with satisfactory guarantees most preferably than by a Letter of Guarantee issued by a Bank legally operating in Greece.

7. The submitted offers must be accompanied by a Business Plan for the Company in which the interested parties must undertake a firm commitment as to the amount of investments to be realized as well as the anticipated number and time duration of job positions assured. Both these issues will be the object of contractual commitments by the buyer.

8. The criteria for the evaluation of the offers are (a) the price offered (b) the annual number of assumed job positions and (c) the amount of annual investment outlays to be realized. The evaluation system and the contribution of each of the above criteria to the final aggregate grade of each submitted offer will be made known to the interested parties, together with the "Offering Procedures Letter", available from August 8, 1997. The "Offering Procedures Letter" will also include the Initial Draft Share Purchase Agreement upon which the interested parties can make comments, to be submitted to the Advisers until September 10, 1997 at the latest.

9. In case an offer provides for payment of the price on credit, its evaluation will take into account its present value, calculated by means of a fixed discount rate over the whole payment period which will equal the interest rate carried by the latest annual issue of Greek State Treasury Bills issued prior to the deadline for the submission of binding offers.

10. The buyer must accept penalty clauses for all issues in his offer related to the evaluation criteria with respect to the amount of investments to be realized and the number of job positions to be assured. The amount and the calculation method of the penalties are determined in the "Offering Procedures Letter" referred to in para. 1 above.

11. The prevailing offer will be the one to obtain the highest grade according to the evaluation system as set out in para. 8 above.

12. In the event that the person or entity to whom transfer of the Company shall be awarded breaches its obligation to appear at the place and the time to be determined by the pertinent invitation of the Sellers and to execute the respective Share Purchase Agreement on the terms set forth in this present, as well as on those included in such party's offer, as finally formulated, then the amount of the aforesaid guarantee (Letter of Guarantee) shall be forfeited for the benefit of the Sellers on a pro rata basis, as a penalty acknowledged and accepted to be fair and reasonable, the payment of which shall in no case mitigate any additional liability of the offering party arising on the basis of the law.

13. The sellers retain the right to declare the tender process abortive if the prevailing offer is not judged wholly satisfactory to them.

14. The sellers maintain the right to modify the terms of the present invitation, including the deadline for the submission of binding offers. If it is judged necessary, provided that the interested parties involved in the tender process are informed in writing and the publicity requirements provided for by Article 46a, para. 3 of L. 1992/90 are adhered to.

15. Those parties participating in the present tender process and submitting an offer do not acquire any right, claim or demands from the present invitation and their participation in the tender process, against the Sellers or the Advisers for any reason or cause whatsoever.

The present document has been drawn up in the Greek language and translated into English. In any case however the Greek text prevails. Requests for copies of this invitation, the "Offering Procedures Letter" and any other information must be addressed to the Advisers as follows:

BANK OF AMERICA NT & S
Attn: Mr. Y. Bravos
39 Panepistimiou Str.
105 64 Athens
Tel: 3285227 Fax: 3241938

ETEBA S.A.
Attn: Mr. G. Koutsoudakis
14 Amalias Ave.
102 36 Athens
Tel: 3296470 Fax: 3296393

GOVERNMENT OF PAKISTAN
PRIVATISATION COMMISSIONHEAVY ELECTRICAL COMPLEX
(HEC)

INVITATION FOR SUBMISSION OF

"EXPRESSION OF INTEREST"

The Government of Pakistan invites Expressions of Interest from prospective investors for pre-qualification to participate in the privatisation process of **Heavy Electrical Complex**. The opportunity offers an **instant access** to Pakistan's **Heavy Electrical Industry** through a diversified product line which includes a market leader position in the manufacture of 132 KV and 66 KV transformers and equipment used in sub-stations and grid-stations of high voltage power supply systems. The electrical industry is a high growth industry in Pakistan which has shown excellent performance over the years and has always outperformed the market index for quoted companies.

HEC is a greenfield project which achieved full completion in June 1997. Located in Hattar Industrial Estate in the NWFP, HEC has excellent infrastructure facilities and access to skilled manpower. HEC is the only indigenous producer of high voltage transformers in Pakistan and has the potential to export its products. The unit has lean and professional staff and has tremendous potential to expand its product line.

Expression Of Interest for prequalification to participate in the privatisation process of HEC, along with investor profile in terms of ownership, net worth, business track record (audited accounts, staff strength, etc.), management capabilities for operating similar industrial operations and a nonrefundable processing fee of Rs. 100,000/- (Rupees One Hundred Thousand) or US Dollar equivalent in the form of a bank draft (encashable in Islamabad) in favor of "Privatisation Commission, Government of Pakistan" should reach the office of the undersigned in a sealed envelope clearly marked "Expression of Interest for HEC" latest by **1500 hours, (PST), August 25, 1997.**

Ahmad Waqar, Joint Secretary,
Privatisation Commission, Government of Pakistan,
EAC Building, 5-A, Constitution Avenue, Islamabad, Pakistan
Tel: (92-51) 9205146-7, 9215466 Fax: (92-51) 9203076, 9211692

The Financial Times plans to publish a Survey on

France

on Monday, November 3

For further information, please contact:

Lindsay Sheppard

Tel: +44 171 873 3225 Fax: +44 171 873 3204

or Paul Maravaglia

Tel: +33 1 53 76 82 51 Fax: +33 1 53 76 82 53

or your usual Financial Times representative

FT Surveys

LIMECOURT VENTURES PLC

the "hands on"

boutique corporate financiers and venture

capitalists

who recently structured the financial

re-organisation of:

The Promotional Reprint Company Ltd

have now successfully assisted in the sale of that

company to

C & B Publishing Plc

CREDIT
SUISSE

All of these securities having been sold, this announcement appears as a matter of record only.

July 8, 1997

US\$7,795,456,858



1,408,000,000 Shares

(nominal value Lit. 1,000 per Share)

JOINT GLOBAL COORDINATORS

Istituto Mobiliare Italiano Credit Suisse First Boston

CREDIT SUISSE FIRST BOSTON

These securities were offered in Italy, the United States and internationally.

ITALIAN PUBLIC OFFERING

857,776,000 Shares

**Istituto Mobiliare Italiano
Banca Commerciale Italiana
Credito Italiano
Istituto Bancario San Paolo di Torino**

Banca di Roma S.p.A.
Gruppo Cassa di Risparmio di Roma
Banca Monte dei Paschi di Siena S.p.A.
Banca Nazionale del Lavoro S.p.A.
CARIPLO S.p.A.

ITALIAN INSTITUTIONAL OFFERING

146,726,263 Shares

**Istituto Mobiliare Italiano
Banca Commerciale Italiana
Credito Italiano
Istituto Bancario San Paolo di Torino**

Banca di Roma S.p.A.
Gruppo Cassa di Risparmio di Roma
Banca Monte dei Paschi di Siena S.p.A.
Banca Nazionale del Lavoro S.p.A.
CARIPLO S.p.A.
C.I.MO. SIM S.p.A.
Giubergia Warburg SIM S.p.A.
RASFIN SIM S.p.A.
Albertini & C. SIM S.p.A.
Credit Suisse First Boston
Euromobiliare S.I.M. S.p.A.

UNITED STATES OFFERING

183,407,667 Shares

in the form of
American Depositary Shares or Shares

Credit Suisse First Boston Goldman, Sachs & Co.

**Lehman Brothers
Merrill Lynch & Co.
J.P. Morgan & Co.
Morgan Stanley Dean Witter
SBC Warburg Inc.
Istituto Mobiliare Italiano
Smith Barney Inc.
ABN AMRO Chicago Corporation
Alex. Brown & Sons
Incorporated
Deutsche Morgan Grenfell
Donaldson, Lufkin & Jenrette
Securities Corporation
Fahnestock & Co. Inc.
Petrie Parkman & Co.
RBC Dominion Securities Corporation
Schroder & Co. Inc.
Scotia Capital Markets (USA) Inc.**

UNITED KINGDOM AND THE REPUBLIC OF IRELAND

122,271,660 Shares

SBC Warburg
A Division of SBC Bank Corporation
**Credit Suisse First Boston
ABN AMRO Rothschild
Goldman Sachs International
Istituto Mobiliare Italiano
Morgan Stanley Dean Witter
NatWest Securities Limited
Lehman Brothers
Schroders**

REST OF THE WORLD

97,818,410 Shares

**Morgan Stanley Dean Witter
Credit Suisse First Boston**

**ABN AMRO Rothschild
Deutsche Morgan Grenfell
Goldman Sachs International
Istituto Mobiliare Italiano
SBC Warburg**
A Division of SBC Bank Corporation
**BBV Interactivos, S.V.B.
Creditanstalt Investment Bank
Daiwa Europe Limited
Paribas**

COMMODITIES AND AGRICULTURE

Drought threatens Chinese corn exports

By James Harding
in Shanghai

A severe drought in China's corn belt has driven up domestic prices and is threatening to halt exports. China returned to the international corn markets this year, after a bumper harvest last year enabled it to sell abroad for the first time since 1994.

But the shortage of rain in north-east and central China over the last few months has badly damaged the corn crop, prompting

speculation that China will withdraw from international sales in the second half of this year.

"Unless there is an improvement in the weather, we are unlikely to see any more substantial corn exports," said one agricultural official at a western embassy in Beijing.

The official said there had been reports that China had withdrawn permission to traders to export corn.

The US government is revising downwards its forecast for the

1997 corn harvest, having predicted a 115m tonne crop, against last year's 127m tonnes, because of declining corn acreage.

China's official media has reported that 20m hectares of arable land have been hit by drought, calculating that northern regions have experienced a 40-60 per cent drop in rainfall.

In Hebei province near Beijing, for example, authorities report that the most severe drought in more than 40 years would mean 200,000 hectares would yield no

produce this year and a further 200,000 hectares had been left unsown.

The government has given no indication of how badly it believes the corn crop has been hit, but said "weather conditions are worse than last year, especially because of drought... there will be a decrease" in output.

Grain traders in Dalian, the northern port city which is one of China's chief corn exchanges, have seen prices rise sharply over the last week on estimates that

the 1997 crop could come in at 20 per cent lower than in 1996.

China exported 2.01m tonnes in the first half of this year, selling most of its corn in Asia. There have been reports of exports to the Philippines, South Korea and Malaysia. In June, traders were forecasting total overseas sales of more than 3m tonnes in 1997, depending on Asian demand.

Beijing clamped down on corn exports three years ago, when dwindling domestic stocks and continued foreign sales were driv-

ing up prices and contributing to soaring inflation. Last year's exceptional crop replenished state silos and enabled the government authorities to re-issue export licences.

But agricultural observers have warned that corn output is in structural decline in China, where farmers are switching to more lucrative crops such as soybeans.

According to official reports, corn acreage has fallen by 3.5 per cent in 1997 compared with last year, to a total of 23.6m hectares.

Doe Run wins La Oroya contract

By Kenneth Gooding,
Mining Correspondent

Doe Run, the biggest US lead producer, has been given the exclusive right to bid for the La Oroya smelting-refining complex in Peru, said Mr Jeffrey Zezas, Doe Run chief executive, yesterday.

His company was doing due diligence and was involved in final negotiations with Centromin, the state group that owns La Oroya, and the deal would be closed by September 30, he said.

If the negotiations came to a successful conclusion, it would be Doe Run's first substantial step outside the US, said Mr Zezas. The complex has the capacity to produce about 95,000 tonnes a year of lead and 70,000 tonnes of zinc.

Doe Run, a subsidiary of the Renco Group of New York, was runner-up in the first bid for La Oroya in April, but the winner, Industrias Penoles of Mexico, subsequently withdrew its offer for 60 per cent of the complex, claiming Centromin had burdened La Oroya with additional liabilities after the sales.

Centromin said Doe Run would pay \$126.5m for 51 per cent of La Oroya and "about \$120m" for the rest of the complex. However, the US group would "fully respect" the rights of employees to acquire up to 10 per cent of the shares.

Mr Zezas said Doe Run would certainly comply with the regulations about employee shareholdings but it wanted as close to 100 per cent of La Oroya as possible.

The complex is 3,700 metres up in the Andes and 120 miles east of Lima. The refineries and smelters process 22 metals and their by-products.

Gary Mead

Colombian unrest lifts oil

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Gary Mead

Oil prices rose yesterday as news of a new round of guerrilla attacks against Colombian oil installations offset earlier price weakness attributed to progress at the UN on the resumption of Iraqi exports under the oil-for-food programme.

The price of the benchmark Brent Blend for September delivery was \$19.32 a barrel in late London trading, 36 cents up on Friday's close of \$18.96 a barrel.

The rise came after Ecopetrol, the Colombian state oil company, and Occidental, the US oil group which operates the Cano Limon field, declared force majeure because guerrilla attacks and a landmine had cut the pipeline linking it with the coastal export terminal at Covenas. The Cano Limon field produces about 175,000 barrels a day.

The technical squeeze in the London Metal Exchange aluminium market grew more severe yesterday, as metal for delivery in three months reached \$1,446 a tonne, the highest for 21 months, before easing back in late trading. The premium for aluminium for immediate

delivery moved up to \$7 a tonne, though traders said volume was seasonally low.

The zinc market, also in the grip of a squeeze, saw the premium for metal for immediate delivery jump to \$100 a tonne. Traders suggested this implied Chinese zinc smelters that had sold short still had to cover many of their positions.

Buoyancy in arabica coffee futures on New York's Coffee, Sugar and Cocoa Exchange helped lift the September contract for robusta coffee on the London International Financial Futures Exchange. But traders said the rejuvenation owed more to local and small speculators making forays, than any significant players re-entering the market.

On the CSE the September contract was up 7.30 cents to 192.75 cents a pound before midday, pushed partly by a report from Ms Judy Ganes, analyst with Merrill Lynch, that supplies of quality arabicas could be tight until November.

On Liffe, the September contract closed \$12 higher at \$1,680 a tonne. Before the opening of the New York market, the Liffe contract had traded as low as \$1,585 and struggled to gain \$1,607 by midday, \$11 lower than the previous close.

Virus endangers UK honey bees

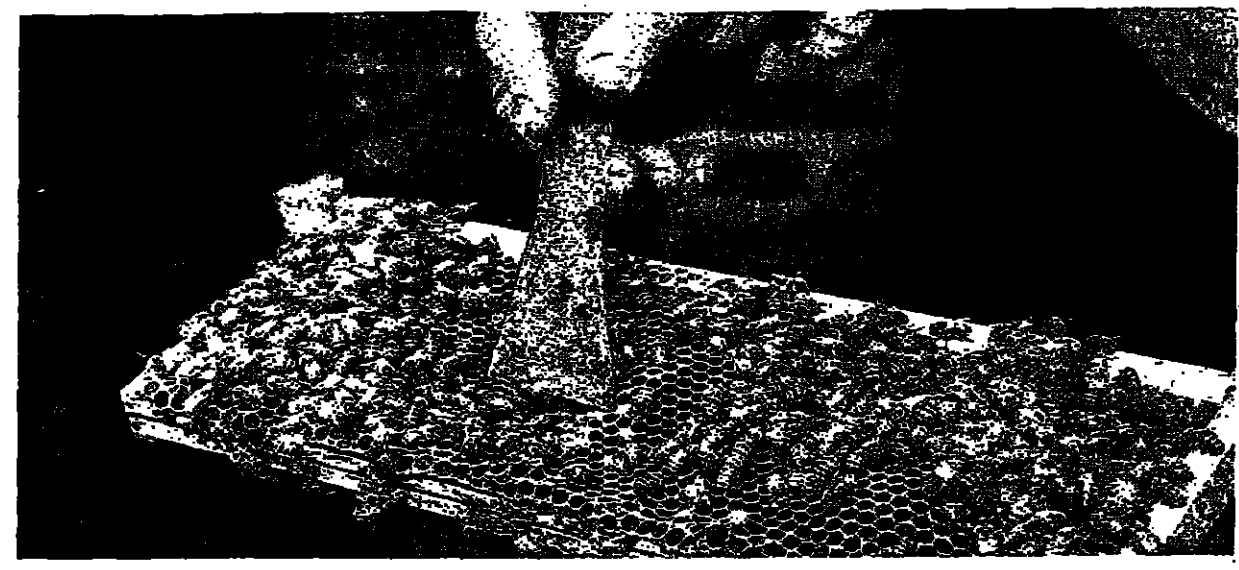
England's indigenous honey-bee population is under threat of serious depletion, endangering not only domestic honey production but also arable farming generally.

The danger derives from the spread of a 1.5mm-long parasite which lives on honey bees. The Varroa mite, which fatally weakens bees by blood-sucking and cross-infecting them with viruses, is now in 51 counties across England and Wales - having first been discovered in England, in the south-west county of Devon, only five years ago. In Europe, only Ireland and Scotland are now free of Varroa infestation.

With annual revenues of just £12m, England's honey production is more of a cottage industry than a big business. However, the honey bee plays an important role as the leading natural pollinating agent for 80 per cent of the UK's plant species.

Use of pesticides, the elimination of hedgerows, and other aspects of large-scale farming have collectively brought about massive depopulation of other natural pollinators: of the 19 different bumble bee species once in the UK, 13 are now extinct.

Across Europe the importance of honey bee pollination was valued in a 1988 French study as being worth



European honey bee pollination was valued in a 1988 French study as being worth 26.25bn

£8.25bn, according to Mr Modern, head of the National Bee Unit at the Central Science Laboratory, which is part of the UK's Ministry of Agriculture, Fisheries and Food.

"Bees are livestock, just like other farmed animals. They have to be managed, and this parasite is a very serious, worldwide problem," said Mr Bew yesterday, at the London launch of the first national Varroa awareness week.

In Europe, the Varroa pest first became a serious problem in Germany in the 1970s. Since then 40 per cent of

Germany's beekeepers have gone out of business. It has since spread across almost all the continent, with estimated high though ill-documented costs to agriculture.

In the Piedmont region of Italy, apricot and apple growers saw the equivalent of £80m wiped off their 1995-96 harvests, as a result of poor pollination.

According to the British Beekeepers Association, 70 per cent of the honey bee colonies in Hampshire were lost to the Varroa parasite in 1995-96, and fruit orchard, strawberry and raspberry production levels were all

considerably lower during that season.

"There are 3,920 apiaries in England and Wales - that's roughly 10 per cent of the total - that have been infested by Varroa, though we suspect there are many more than that," said Mr Bew.

He added that one of the key reasons why the pest must be brought under control - which is possible with careful use of pesticides - is the threat it poses to equally important, feral honey bee colonies.

In the US a recent study of up-state New York

showed that for every one managed colony there were 11 naturally-occurring colonies. If we don't control the spread of Varroa among the managed colonies, it spreads to wild colonies which, by definition, we don't know the location of," he said.

Once Varroa gets a firm grip among wild bee colonies, it is only a matter of time before the wild honey bee becomes extinct, and pollination, now taken almost for granted as a natural process, becomes a large cost to arable farmers.

Gary Mead

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Cash	3 mths
Close	1741-42	1734-35
Previous	1740-41	1735-37
High/Low	1740-41	1734-35
AM Official	1745-46	1736-37
Kerb close	1743-44	
Open int.	287,150	
Total daily turnover	94,409	

ALUMINIUM ALLOY (\$ per tonne)

	Cash	3 mths
Close	1505-10	1500-35
Previous	1515-20	1504-45
High/Low	1515-20	1504-45
AM Official	1510-12	1504-42
Kerb close	1508-10	
Open int.	5,708	
Total daily turnover	625	

LEAD (\$ per tonne)

	Cash	3 mths
Close	622.5-2.5	634-7
Previous	626-27	638.5-39.0
High/Low	627/634	
AM Official	624-25	636.5-36.5
Kerb close	636-7	
Open int.	36,495	
Total daily turnover	7,466	

NICKEL (\$ per tonne)

	Cash	3 mths
Close	7205-15	7300-10
Previous	7400-405	7485-90
High/Low	7400-405	7485-90
AM Official	7255-60	7340-50
Kerb close	7215-20	
Open int.	52,541	
Total daily turnover	18,096	

TIN (\$ per tonne)

	Cash	3 mths
Close	5645-55	5590-600
Previous	5605-15	5640-50
High/Low	5605-15	5640-50
AM Official	5535-40	5570-75
Kerb close	5580-85	
Open int.	16,045	
Total daily turnover	4,826	

ZINC, special high grade (\$ per tonne)

	Cash	3 mths
Close	1594-97	1498-93
Previous	1549-52	1469-66
High/Low	1572/1570	1494/1488
AM Official	1570-72	1470-71
Kerb close	1484-95	
Open int.	99,543	
Total daily turnover	29,303	

COPPER, grade A (\$ per tonne)

	Cash	3 mths
Close	2319-22	2290-61
Previous	2338-42	2310-11
High/Low	2319/2314	2311/2270
AM Official	2214-15	2280-81
Kerb close	2281-83	
Open int.	141,023	
Total daily turnover	39,897	

LME AM Official 2500 metric 1.8275

LME Closing 2/5 metric 1.8515

Sep 1.828 3 mths 1.821 6 mths 1.819 9 mths 1.812

HIGH GRADE COPPER (COMEX)

	Sell	Day's	High	Low	Vol	Open
Aug	106.40	-0.55	106.50	105.10	510	3,099
Sep	126.20	-1.05	127.40	124.70	5,619	20,508
Oct	105.10	-1.15	106.40	104.40	25	1,579
Nov	104.50	-1.25	104.75	104.75	67	1,358
Dec	103.90	-1.25	104.50	103.00	759	7,918
Jan	103.50	-1.15	-	-	19	840
Total						71,338

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N.M. Rothschild)

Gold/Troy oz. \$ price

	3 mths	6 mths	9 mths	12 mths
Close	323.85-324.10			
Opening	323.85-324.10			
Morning fix	324.05	198.22	486.77	
Afternoon fix	323.25	198.21	484.33	
Day's High	324.20-324.50			
Day's Low	323.80-323.80			
Previous close	323.80-324.00			

Lead/Ln Msm Gold Leasing Rates (Ys US\$)

	1 month	3 mths	6 mths	9 mths	12 mths
Close	3.52	3.52	3.52	3.52	3.52
1 month	3.52	3.52	3.52	3.52	3.52
2 months	3.51	3.51	3.51	3.51	3.51
3 months	3.50	3.50	3.50	3.50	3.50

Silver/Fix

	3 mths	US \$/oz.
Close	274.05	446.00
Spot	274.05	446.00
3 months	278.15	451.05
6 months	282.50	456.95
1 year	281.50	467.50

Gold/Spot

	3 mths	US \$/oz.
Close	325-327	199-201
Spot	325-327	199-201
3 months	325-327	199-201
6 months	325-327	199-201
1 year	325-327	199-201

New Sovereign

	3 mths	US \$/oz.
Close	75-76	47-48
Spot	75-76	47-48
3 months	75-76	47-48
6 months	75-76	47-48
1 year	75-76	47-48

Precious Metals continued

GOLD COMEX (100 Troy oz. \$/tonne)

	Sell	Day's	High	Low	Vol	Open
Aug	323.9	-0.8	324.7	323.5	1,507	1,861
Sep	324.7	-0.8	-	-	2	4
Oct	326.0	-0.8	327.4	325.5	373	14,825
Nov	328.1	-0.8	329.5	327.6	27,818	103,408
Dec	330.4	-0.8	331.8	329.9	8,528	12,318
Jan	332.4	-0.8	-	-	52	1,179
Total						38,780,188,580

PLATINUM NYMEX (50 Troy oz. \$/tonne)

	Sell	Day's	High	Low	Vol	Open
Oct	455.2	+16.7	468.0	438.5	2,284	12,744
Nov	445.2	+17.7	447.0	434.0	442	2,508
Dec	438.2	+18.7	442.0	425.5	223	405
Jan	430.4	-0.8	431.8	428.9	12	1,093

PALLADIUM NYMEX (100 Troy oz. \$/tonne)

	Sell	Day's	High	Low	Vol	Open
Sep	215.0	+8.0	215.0	215.0	399	4,216
Oct	207.0	+8.0	207.0	207.0	17	160
Nov	201.0	+8.0	201.0	201.0	17	160
Dec	200.0	+8.0	-	-	-	-
Total						281

SILVER COMEX (5,000 Troy oz. \$/tonne)

	Sell	Day's	High	Low	Vol	Open
Aug	448.5	+3.7	-	-	-	-
Sep	450.7	+3.7	454.0	445.0	13,558	55,064
Oct	457.2	+3.7	460.0	451.0	1,001	18,093
Nov	458.9	+3.7	-	-	-	-
Dec	463.5	+3.7	464.0	460.5	69	10,234
Jan	467.5	+3.7	-	-	-	-
Total						2,968

ENERGY

CRUDE OIL NYMEX (1,000 barrels \$/barrel)

	Sell	Day's
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FT MANAGED FUNDS SERVICE

Time	Selling	Buying	+tr	Yield	Selling	Buying	+tr	Yield
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مركز من الأهل

[illegible]

4 pm close August 4

Be our guest.



ÇIRAĞAN PALACE HOTEL
Kempinski Istanbul

When you stay with us
in **ISTANBUL**
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with your complimentary copy of the

FINANCIAL TIMES
No FT, no comment.

0.16	14	29	$2\frac{1}{2}$	$5\frac{3}{4}$	$8\frac{1}{2}$	$-1\frac{1}{2}$
0.28	23	102	61	80	61	$-1\frac{1}{2}$
	46	227	23	$22\frac{1}{2}$	$22\frac{1}{2}$	$-1\frac{1}{2}$
	17	120	$10\frac{1}{4}$	$9\frac{1}{2}$	$9\frac{1}{2}$	$-1\frac{1}{2}$
0.29		589	34	$3\frac{1}{2}$	$2\frac{1}{2}$	
	19	119	$18\frac{1}{2}$	18	$18\frac{1}{2}$	$-1\frac{1}{2}$
		174	$2\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$	$-1\frac{1}{2}$
0.96	11	76	$38\frac{1}{4}$	$38\frac{1}{4}$	$38\frac{1}{4}$	
		1177	18	$17\frac{1}{2}$	$17\frac{1}{2}$	$+1\frac{1}{2}$
		82	$2\frac{1}{4}$	$1\frac{1}{2}$	2	$+1\frac{1}{2}$
1.70	16	499	$22\frac{1}{2}$	$23\frac{1}{2}$	$24\frac{1}{2}$	$+1\frac{1}{2}$
		327	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$-1\frac{1}{2}$
0.10	22	4553	$20\frac{1}{2}$	20	$20\frac{1}{2}$	$-1\frac{1}{2}$

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1	55	34	23	23	23				-1
0.12	21	5	22	27	24				
2.42	70	10	10	51	1				
	27	14	14	14	14				
0.90	24	336	220	51	4				-5
0.43	15	22	22	22	22				
0.22	21	200	93	38	38				-2
	15	4	4	4	4				+2
- V -									
0.22	22	22	22	19	19				-1
	25	25	25	25	25				
0.26	13	119	20	25	25				-2
	43	926	25	24	25				+3
	79	7	14	14	14				
	29	1625	15	14	14				-1
	425239	3123	31	31	31				-1
	286	287	279	28	28				-1
- W -									
	532	20	20	20	20				+1
	33	691	17	17	17				-1
	128	7872	25	67	67				+1
	31	16	22	22	22				+1
	15	938	20	19	20				+1
	128	22	42	30	26				-2
	10	208	21	20	21				-1
	04	24	23	23	23				-1

Financial Times. World Business Newspaper

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1.22	19	23	23	23	23				
1	55	34	23	23	23				-1
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	79	7	14	14	14				
	29	1625	15	14	14				-1
	425239	3123	31	31	31				-1
	286	287	279	28	28				-1
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	532	20	20	20	20				+1
	33	691	17	17	17				-1
	128	7872	25	67	67				+1
	31	16	22	22	22				+1
	15	938	20	19	20				+1
	128	22	42	30	26				-2
	10	208	21	20	21				-1
	04	24	23	23	23				-1

-X-Y-Z-

	2151	5 1/2	5 1/2	5 1/2	+7 1/2
	5251	6 27/32	27 1/2	28 1/4	+1 1/2
15	247	6 1/2	6 1/4	6 1/4	-1/2
248	15	8 3/32	36 1/4	35 1/2	+3 1/2

Change day	Volume	High	Low
125	23430	34	26
125	0	11 7/8	2 1/16
125	0	25 1/2	21 6/25
0	0	8 1/2	3 7/8
0	6040	1240	990
0	5150	131 1/2	32 1/2
07	0	3 3/32	3 5/8

the hour on the 1600 time of 9950.

US shares easier at midsession

AMERICAS

US stocks were mixed at midday. Large company stocks continued to lose ground after last week's sell-off but technology issues moved higher, writes John Labate in New York.

The Dow Jones Industrial Average had lost 33.44 at 8,180.60 by early afternoon. The broader Standard & Poor's 500 index shed less than a point at 947.01.

Large company stocks continued to slip on inflation fears. These were sparked on Friday by the release of the National Association of Purchasing Management report which showed a sharp rise in prices paid by manufacturers. On the same day it was reported that the unemployment rate had fallen to 4.8 per cent.

Yesterday morning the bellwether long bond continued to erode in price, losing 1/4 at 101 1/2 to push the yield up to 6.481 per cent.

Cyclical stocks were among the hardest hit. General Motors off 2 1/4 at 86 1/2 and International Paper was down 1 1/4 at 55 1/4. General Electric also fell 1 1/4 at 86 1/2.

"In the August and Sep-

tember meetings of the Federal Reserve, there is no guarantee that the Fed won't raise interest rates again and that has investors concerned," said Mr Thomas McManus, chief market strategist at NatWest Securities.

Technology stocks again performed better than most, with the Nasdaq composite index rising 7.87 at 1,602.20. Investors may be further drawn to small company stocks after the recent proposals concerning the treatment of capital gains.

"Capital gain tax cuts have tended to help biotech growth stocks like biotech and technology," said Ms Elizabeth Mackay, chief investment strategist at Bear, Stearns. "Such tax changes can lead investors to favour companies with high stock appreciations over those with high dividend pay-outs," she added.

Technology stock buying was broadly based. Computer chip maker Motorola rose 1 1/2 at 82 1/2 while rival Intel gained 3 1/4 at 86 1/2. Networking leader Cisco Systems rose 1 1/4 at 81 1/4. Toronto was closed yesterday for a holiday.

Frankfurt slides on interest rate worries

EUROPE

Worries about an upward move for German interest rates hardened yesterday and FRANKFURT lost ground for the third session running.

In the face of a surging dollar, the money market maintained the tight stance adopted on Friday and interest rate sensitive shares came in for heavy selling.

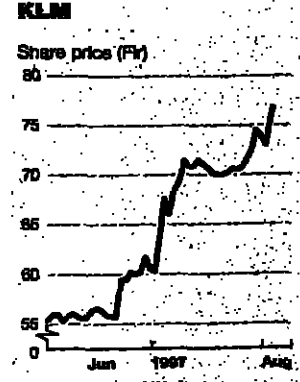
At the close of electronic trading, the Dax stood at an 1815.40 - off 34.48 for a three-day decline of more than 3 per cent.

Dealers said the onset of the August holiday period had created thin markets but that sentiment had nevertheless taken "something of a knock" at the sight of rising bond yields.

Insurance leader Allianz retreated DM10.50 to DM44.50 and the banks streamed uniformly lower.

Deutsche Bank came off DM1.40 to DM1.18 and Dresdner fell DM2.10 to DM0.70. Merger partners, Bayerische Vereinsbank lost DM2.50 to DM0.70 and Bayerische Hypo DM1.30 to DM0.70.

Given the mood, even some of the big exporters were taken to task in spite of the dollar strength. Volkswagen shed DM2.64 to DM1.37.5, Daimler Benz DM1.55 to DM1.46.55 and Bayer DM1.54 to DM1.46.5.



Source: Datastream/ICV

earnings of about 30 per cent tomorrow. The steel group's share gained F13.70 to F138.50. Its profits are expected to benefit from firmer steel and aluminium prices and strong demand in the US this year after profits dipped last year.

Philips' entertainment offshoot PolyGram also rose on expectations that the Mr Bean movie would be a success, notching up a gain of F16.00 to F118.

ZURICH followed Germany lower, with the SMI index losing 127.3 or 2.2 per cent to 5,771.0.

Novartis was the day's most active stock, dipping SF74.00 to SF72.35. Drugs rivals Roche came off SF93.50 to SF91.40 and Clariant SF88.00 to SF87.00.

Banks held at the prospect of a German-led round of interest rate rises across Europe. UBS, which kicks off the banks' reporting season today, lost SF18.00 to SF17.68 and Credit Suisse shed SF7.25 to SF7.05.

SBC gave up SF9.00 to SF8.40. Among insurers, Winterthur lost SF18.00 to SF17.40.

Also due to report today is publisher Wolters Kluwer, which added F10.10 to F128.00 after touching a record F129.70. The share has this year underperformed the market.

Hoogovens is expected to report a rise in first-half

FTSE Actuaries Share Index

August 04	End	Day's	Change	Yield	% of	Total
Markets	Index	Index	Points	Rate	Index	Index
FTSE Europe 300	947.01	-0.80	-7.94	2.32	0.00	954.44
FTSE Europe 100	2291.39	-1.10	-25.54	-	-	-
FTSE Europe 300 Highliers						
300 UK	953.97	-0.08	-0.08	3.57	0.00	954.48
300 Ex-UK	944.85	-1.20	-11.97	1.73	0.00	954.26
300 Europe	948.50	-0.89	-8.74	1.85	0.00	954.20
300 Ex-Europe	948.22	-0.87	-8.63	2.63	0.00	954.54
FTSE Europe 300 Economic Sectors						
Resources	1004.06	+0.06	+0.76	2.78	0.00	1004.06
General Industrials	994.59	-0.23	-2.36	2.01	0.00	994.59
Consumer Goods	978.81	-1.08	-10.85	1.85	0.00	978.81
Services	951.85	-0.23	-2.31	2.31	0.00	951.85
Utilities	978.14	-1.10	-10.82	3.22	0.00	978.14
Financials	980.78	-1.04	-10.45	2.32	0.00	980.78

Source: FTSE International Ltd. Data as at 15.00 hours on August 04, 1997. All figures are in US dollars unless otherwise stated.

PARIS buckled under the dollar's strength, with the CAC 40 falling to hold above the 5,000 level in a thin market. Fears that the Bundesbank might raise interest rates to prop up the sagging D-Mark shaved 57.08 off the CAC 40 to 2,992.41.

Rhone-Poulenc fell sharply as investors took profits after the share's strong surge in recent weeks, shedding FF12.50 to FF255.30.

Alcatel Alsthom was heavily traded for the second session running as brokers, including Paribas, issued or reiterated buy recommendations. Alcatel outperformed the overall market, but the shares still ended FF14.00 lower at FF94.65.

Valueo bucked the trend by

rebounding from its recent weaker levels, gaining FF9.00 to FF333.

MILAN picked up where it left off on Friday with blue chips moving lower on a broad front. Olivetti fell L13.00 to L628 after the information technology group cut back estimate for the capital gain on the sale forecast on the sale of its PC unit. Marzotto eased L665 to L17,814 after solid but unexciting first-half results. The Mibtel real-time index ended off 287 at 14,458.

HELSINKI was buoyed by telecom group Nokia's better-than-expected first half results, released an hour before the close of trade. The HEX index closed off its morning peaks, up 28.87 to

5,538.86. Nokia ended at FM482, a new high, but off its FM485 intra-day peak.

STOCKHOLM had the opposite reaction to Nokia's results, as it was pulled down by Ericsson on fears that Nokia had taken market share away from its Swedish rival. The general index was about 0.6 per cent lower at 3,140.76 after a SKr7.5 fall in Ericsson to SKr954.

MOSCOW responded enthusiastically to the new rouble and the RTS index ended the session with a gain of 8.11 at 518.31. "The rouble move is another sign of Russian economic restructuring. This will encourage foreign investors," said one broker. The RTS is this year's fastest moving emerging market index, with a gain of more than 150 per cent since January.

BUDAPEST threw off Friday's setback to break through a record high on the BUX index which ended 106.39 ahead at 7,981.12. Oil leader MOL surged Ft275 or 5.8 per cent to Ft4,990 with investors anticipating strong second quarter results and reacting positively to press reports that the next move in the group's progressive privatisation had been delayed.

Written and edited by Jeffrey Brown and Greta Stein

Sao Paulo falls further

Most Latin American centres traded lower in morning trading, notably Sao Paulo which followed up Friday's severe shakeout with further declines.

SAO PAULO continued to suffer from last week's steep setback. "Having seen the market slide nearly 5 per cent on Friday, investors are in no mood to pick up the pieces today. It will take some time for worries about the trade deficit to work their way out of the system," said one broker.

At midsession, the Bovespa index was down a further 152 or 1.3 per cent. Leading stocks stayed weak across the board, although volume was said to be light.

Telebras, down almost 4 per cent at one stage, ended the morning with a decline of 1.45 per cent to R\$149.70. Electrobras was 1.83 per cent lower at R\$589.00.

MEXICO CITY ran into modest profit-taking following the dull start on Wall Street. At midsession, the IPC index was 18.21 lower at 5,048.82. Telmex ended the morning session with a decline of 20 centavos to 21.40 pesos.

CARACAS traded weakly ahead of the half-day national strike planned for tomorrow.

At midsession the IPSA index was showing a decline of 133.78 or 1.4 per cent at 9,301.54.

ASIA PACIFIC

Tokyo continued to move lower following selling by both foreign investors and domestic institutions plus downside pressure from the futures market, writes Guern Robinson.

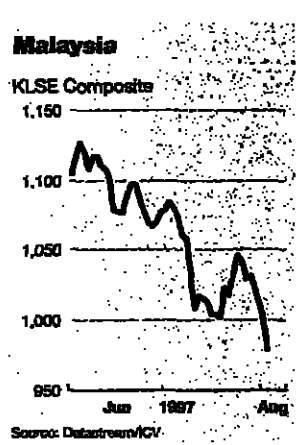
The Nikkei 225 average ended off 136.31 at 19,668.07 after moving between 19,456.95 and 19,930.49.

Trading began on a firm note with Friday's steep 2.6 per cent decline sparking some bargain hunting. But stock prices were moving lower by mid morning on heavy selling linked to the slide of index futures in Osaka. Selling continued in the afternoon, carrying the key index to a new low for the April-March fiscal year.

Volume eased from Friday's 450m shares to an estimated 399m. Declines overwhelmed advances 744 to 354 with 155 unchanged. The Topix index of all first-section stocks shed 15.53 to 1,497.26 and the capital-weighted Nikkei 300 was off 3.33 at 282.16.

Blue-chip exporters led the market down. Car makers plunged on Friday's news of an annual 11.4 per cent decline in July passenger car sales. Toyota shed Y220 to Y3,280, Nissan Y55 to Y730 and Honda Y100 to Y3,730.

High technology and electrical stocks also retreated. Sony fell Y200 to Y12,000.



Source: Datastream/ICV

50 index rose 2.00 at 1,671.59. KUALA LUMPUR tumbled 2.4 per cent, or 24.07, to 978.56, just off the low for the year set earlier in the day.

The Malaysian central bank's move to impose controls on foreign exchange transactions had a negative effect on sentiment. There was also nervousness ahead of trade figures, which came out after the markets closed.

Telekom Malaysia hit a low for the year of M\$9.25, down 45 cents. The drop followed the release of disappointing interim results on Friday.

HONG KONG closed off mid-session lows, though there was profit-taking in

the financial sector ahead of key interim results from HSBC and Hang Seng Bank. The Hang Seng index finished 119.63 lower at 16,359.59.

The banking results, released after the market closed, were at the top end of analysts' expectations. HSBC closed down HK\$4.00 at HK\$284.00 after touching a low for the session of HK\$262.0. Total market turnover was HK\$22.7bn.

BANGKOK closed higher in thin trade as investors reacted positively to news of the IMF economic package. The SET index rose 11.78 to 652.82 in very low turnover of B\$3.4bn.

Bank of Thailand governor

Chaiyawat Wibulwasdi said the package could be painful but the government would try to ease its impact. He did not say how the government would minimise the impact of the austerity measures.

SYDNEY closed lower as Friday's US unemployment figures and a public holiday in New South Wales combined to keep buyers out of the market. The All Ordinaries index closed down 21.5 at 2,706.0, having traded narrowly in low volume.

Bank shares were under the most pressure, reflecting a sharp rise in bond yields after Friday's sell-off of US Treasuries. The banking index shed 1.1 per cent.

Leading resources shares

were weak. Rio Tinto was down 12 cents to A\$20.87 and BHP closed 16 cents lower at A\$17.85.

WELLINGTON also ended weaker as bond market jitters spilled over to equities. The 40 capital index closed down 15.85 at 2,558.73. Telecom came off NZ\$80.09 at NZ\$77.1.

Fletcher Energy outperformed the market, rising 6 cents to NZ\$5.40.

BOMBAY began the first day of the new trading account in the positive mood, closing a 34-month high. Baring was said to be across the board.

The BSE index ended 117.62 or 2.7 per cent higher at 4,464.94.

MARKETS IN PERSPECTIVE

	% change in local currency	% change sterling	% change US\$
	1 Week	4 Weeks	1 Year
Austria	+3.28	+4.98	+41.82
Belgium	-0.74	+2.78	+46.37
Denmark	+0.37	+5.83	+57.91
Finland	+2.29	+10.82	+94.83
France	+0.68	+3.75	+49.35
Germany	+2.07	+11.08	+70.55
Ireland	+1.39	+7.66	+48.52
Italy	-3.44	+4.40	+54.80
Netherlands	-0.41	+6.29	+81.39
Norway	+1.39	+3.02	+55.12
Spain	-1.17	+3.06	+47.83
Sweden	-0.74	+3.47	+74.36
Switzerland	+0.91	+1.30	+66.56
UK	+0.86	+1.70	+26.83
EUROPE	+0.52	+3.88	+48.79
Australia	+1.11	-0.20	+27.78
Hong Kong	+4.83	+8.20	+35.79
Indonesia	+2.94	-3.45	+33.15
Japan	-1.93	+0.47	-2.61
Malaysia	-3.15	-4.86	-7.54
New Zealand	+2.45	+1.07	+17.44
Philippines	-3.31	-2.93	-16.81
Singapore	-3.88	-2.00	+0.80
Thailand	+2.36	-3.84	-48.20
Canada	+0.75	+3.47	+42.27
USA	+0.97	+5.69	+45.26
Brazil	-1.54	-7.03	+76.30
Mexico	+8.29	+8.36	+59.02
South Africa	+0.35	+0.74	+10.44
WORLD INDEX	+0.43	+3.07	+34.31

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FTSE/S&P ACTUARIES WORLD INDICES

The FTSE/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries, NatWest Securities Ltd. was a co-founder of the indices.

REGIONAL AND NATIONAL MARKETS														FRIDAY AUGUST 1 1987														THURSDAY JULY 31 1987														DOLLAR INDEX			
Figures in parentheses show number of lines of order		US Dollar Index	Day's Change %	Pound Sterling	Yen	DM	Local Currency	% chg day	Gross Div.	US Dollar Index	Day's Change %	Pound Sterling	Yen	DM	Local Currency	% chg day	Gross Div.	US Dollar Index	Day's Change %	Pound Sterling	Yen	DM	Local Currency	% chg day	Gross Div.	US Dollar Index	Day's Change %	Pound Sterling	Yen	DM	Local Currency	% chg day	Gross Div.												
Australia (78)	237.39	-1.1	215.55	177.80	229.72	213.90	-0.4	3.36	240.60	217.84	180.07	229.72	214.78	243.87	194.33	194.33																													
Austria (23)	203.56	-1.2	184.37	151.91	188.48	188.36	-0.1	1.87	208.00	186.52	154.18	192.72	186.50	206.00	174.70	174.70																													
Belgium (28)	249.30	-2.2	225.79	186.03	240.64	235.73	-1.1	2.80	254.90	230.79	190.77	243.41	238.31	251.11	213.92	213.92																													
Brazil (127)	224.18	-4.3	265.83	216.78	282.99	284.49	-4.3	1.25	306.33	277.38	229.26	232.52	610.68	322.44	125.64	178.19																													
Canada (42)	227.75	-0.4	200.94	185.48	214.08	221.73	-0.5	1.85	222.54	201.49	166.58	212.51	222.74	222.54	156.78	156.78																													
Denmark (32)	394.28	-1.2	357.11	284.23	380.59	378.44	-0.1	1.35	388.18	351.40	286.74	381.17	378.94	421.25	310.23	310.23																													
Finland (28)	308.22	-1.3	279.16	230.01	287.52	287.91	-0.2	1.54	312.09	282.66	233.65	286.12	358.74	314.08																															
France (68)	230.63	-1.9	208.88	172.10	222.82	226.45	-0.8	2.33	235.08	212.65	175.55	224.49	228.36	237.67	167.90	193.23																													
Germany (59)	234.42	-1.7	212.51	174.83	225.26	226.28	-0.5	1.28	238.42	215.87	178.44	227.07	227.87	238.42	173.19	173.19																													
Hong Kong (78)	583.79	0.4	616.63	493.72	544.21	560.45	0.4	2.72	611.44	588.34	420.19	536.14	552.09	583.79	418.63	418.63																													
India (17)	227.84	0.7	208.38	170.02	219.93	263.64	0.7	1.78	226.27	204.87	169.25	212.67	362.39	254.90																															
Ireland (17)	371.10	-0.5	338.11	276.83	338.21	350.43	-0.1	2.71	373.00	337.72	279.16	336.19	380.97	374.84	278.74	278.74																													
Italy (55)	380.73	-1.2	350.33	284.43	350.27	350.34	-0.1	1.76	380.99	351.44	284.43	350.34	378.14	380.73	73.26	77.27																													
Japan (485)	132.41	-1.8	119.82	98.91	127.81	98.91	-2.0	0.80	134.76	122.01	100.88	126.69	100.88	150.87	107.57	150.26																													
Malaysia (107)	454.48	-1.1	420.70	348.62	448.36	471.83	-1.0	1.46	459.49	425.08	351.38	448.33	478.73	450.85																															
Mexico (21)	1812.28	0.2	1641.40	1382.80	1748.34	1648.95	0.1	1.45	1808.89	1637.78	1353.80	1727.36	1548.70	1812.28	1136.59	1176.44																													
Netherlands (18)	420.45	-1.7	380.81	313.78	405.85	421.28	-0.8	1.94	427.85	397.38	320.21	408.58	403.73	428.88	333.33	293.35																													
New Zealand (14)	52.81	-0.4	48.67	40.11	48.36	76.41	0.3	3.80	50.22	44.25	36.67	66.85	76.15	86.47	80.77	89.66																													
Norway (41)	318.47	-1.2	288.44	237.66	307.41	332.08	-0.4	1.85	322.44	291.44	241.32	307.90	333.53	328.60																															
Philippines (22)	144.45	-0.7	130.63	107.78	138.43	210.38		0.97	145.53	131.17	108.82	138.97	210.38	214.07	138.54	200.69																													
Portugal (12)	378.98	-0.9	338.44	285.88	360.70	253.76	-0.7	3.27	377.03	341.37	282.18	380.04	355.58	446.01	306.00	366.34																													
South Africa (14)	354.04	-1.0	300.86	268.20	341.73	358.56	-0.5	2.43	367.07	333.67	267.54	341.35	360.13	371.20	301.49	359.72																													
Spain (21)	318.47	-1.2	288.44	237.66	307.41	332.08	-0.4	1.85	322.44	291.44	241.32	307.90	333.53	328.60																															
Sweden (45)	415.20	-0.6	448.41	368.45	407.89	587.39	-0.7	1.78	498.25	451.16	379.23	475.47	511.63	546.39																															
Switzerland (33)	632.08	-0.8	583.67	539.62	372.32	295.24	-0.4	1.14	514.84	265.15	233.70	300.74	295.24	230.59	281.89	230.07																													
Thailand (42)	59.73	-2.3	54.12	44.59	57.68	74.13	-2.1	4.18	61.18	55.39	46.79	58.42	75.99	151.74	47.45	148.00																													
United Kingdom (214)	244.48	-1.4	217.11	255.45	304.71	281.86	-0.5	1.91	318.12	283.94	234.14	284.12	264.80	284.12	212.42	255.52																													
USA (641)	384.48	-0.7	348.21	286.90	371.11	384.46	-0.7	1.52	347.23	350.51	289.73	369.67	350.51	289.73	264.67	264.67																													
Amsterdam (825)	351.87	-0.7	318.42	282.38	339.38	288.07	-0.7	1.82	354.10	320.60	265.13	328.14	328.14	264.44	241.68	241.68																													
Frankfurt (715)	357.98	-1.0	351.77	287.44	289.33	299.34	-1.0	2.38	280.74	254.19	211.01	268.09	270.34	354.44	208.90	208.90																													
London (151)	428.11	-0.9	393.21	315.74	404.28	440.37	-0.1	1.57	428.88	388.08	318.48	407.45	440.80	437.88	300.57	300.57																													
Madrid (58)	153.58	-1.1	137.17	113.10	140.20	113.95	-1.6	1.58	153.72	139.18	105.94	148.75	115.80	163.83	127.18	162.38																													
Paris (150)	428.11	-0.7	393.21	315.74	404.28	440.37	-0.1	1.57	428.88	388.08	318.48	407.45	440.80	437.88	300.57	300.57																													
Port of Spain (768)	374.36	-0.7	338.06	279.38	361.38	373.60	-0.7	1.51	376.94	341.25	282.08	369.91	376.14	376.30	258.03	258.03																													
Stockholm (4)	261.60	-1.4	228.15	179.29	245.15	252.62	-0.5	1.75	256.54	231.37	191.24	242.40	235.05	258.73	190.98	190.98																													
Tokyo (19)	316.46	-1.2	284.11	255.45	304.71	281.86	-0.5	1.91	318.12	283.94	234.14	284.12	264.80	284.12	212.42	255.52																													
US (2254)	308.82	-1.1	188.95	155.08	201.37	171.41	-0.9	1.88	211.05	198.64	156.20	201.11	211.05	198.64	156.20	201.11																													
West Germany (1285)	280.03	-1.0	235.82	194.05	251.00	233.44	-0.9	1.56	282.69	237.84	196.20	258.25	233.47	262.66	204.12	275.02																													
World, Japan (769)	332.21	-0.8	300.89	247.81	282.67	328.46	-0.6	1.52	334.83	303.15	250.59	319.73	328.30	343.81	240.08	240.08																													
The World Index (445)	394.72	-0.8	359.78	294.91	325.33	338.23	-0.8	1.75	367.21	241.84	195.98	255.17	326.23	361.67	204.67	208.22																													